

City of North Miami

COMPREHENSIVE Annual Financial REPORT

Our Heroes and Veterans

North Miami Salutes



E. May Avil - City Clerk &



50 Years Celebration

N MIAMI BLVD
NE 125 ST

North Miami-Celebrating



Life, Liberty & Freedom



North Miami- Focused

On The Future

FISCAL YEAR ENDED
SEPTEMBER 30, 2003



CITY OF NORTH MIAMI, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2003

PREPARED BY:

FINANCE DEPARTMENT

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Mission Statement

*The Mission of the City of North Miami
is to enhance the quality of life,
environment, and safety for citizens,
businesses, customers, visitors and
employees in an atmosphere of
courtesy, integrity, quality and
fiscally responsible service.*



CITY OF NORTH MIAMI, FLORIDA

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North Miami Salutes Our Heroes



AmVets, Post 11 prepares to post colors.
Commander Frank Santiago (right)



Mayor/Council at Veterans Memorial
Memorial Day 2003



NMPD Rifle Team prepares for gun salute
on Veterans Day



SPACE EXPLORERS

Gabriel Colon, Graphics Designer & musician,
participated in Columbia memorial ceremony along
with NMSH Army JROTC





City of North Miami

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(305) 893-6511

March 30, 2004

To the Citizens, Honorable Mayor and
Members of the City Council of the
City of North Miami, Florida

The Comprehensive Annual Financial Report of the City of North Miami, Florida, for the fiscal year ended September 30, 2003 as required by Chapter 11.45 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and Section 23 of the Charter of the City of North Miami is submitted for your review. For the September 30, 2002 financial statements, the City of North Miami elected to *early* implement (required for fiscal year ending September 30, 2003) the new financial reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. The new format, which provides for Government-wide and Major Fund presentations, expands the alternatives available to review and examine the City and its major activities. We believe this new presentation provides better information to the users of the CAFR. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of North Miami for the fiscal year ended September 30, 2003.

The financial statements included in this report conform with accounting principles generally accepted in the United States (GAAP) established by the Governmental Accounting Standards Board. This report consists of management's representations concerning the finances of the City of North Miami. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented. We believe the data presented in this report to be accurate in all material respects, and include all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of North Miami's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm. The independent auditor concluded, based upon

the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2003 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards.

In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GAAP requires that management provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of North Miami's MD&A can be found immediately following the report of the independent Certified Public Accountants.

PROFILE OF THE GOVERNMENT

The City of North Miami was incorporated on February 5, 1926 and is a political subdivision of the State of Florida. The City operates under a council-manager form of government and provides general government, public safety, public works, economic and community development, library, recreation and cultural event services to 60,069 residents. In addition, the City operates the Water and Sewer Utility, Stormwater Utility and Solid Waste Services as enterprise activities. The Council is responsible for enacting ordinances, resolutions and regulations governing the City, as well as appointing the members of various advisory boards, the City Manager and City Attorney. The City Manager is the City's Chief Executive Officer and is responsible for the daily operations of the City and for implementing policies adopted by the City Council. The City Manager is also charged with the hiring of department heads and with preparing the annual budget.

The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of North Miami as legally defined), as well as all of its component units. Component units are legally separate entities for which the City of North Miami is financially accountable or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The Museum of Contemporary Art, Inc. (MoCA) (a not-for-profit corporation) is reported as a discretely presented component unit. The North Miami Health Facilities Authority is also a component unit of the City, however, because there are no assets, liabilities or results of operations to report, disclosure is made only in

the notes. Additional information on both of these legally separate entities can be found in Note 1 in the notes to the basic financial statements.

The annual budget serves as the foundation for the City's financial planning and control systems. Management's budget request is presented to the City Council by the City Manager. The Council holds public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budgetary control over expenditures is legally maintained at the fund level except for the General Fund, which is at the departmental level. The budget to actual comparison for the General Fund is included as RSI (Required Supplementary Information) following the notes to the basic financial statements. All other budget to actual comparisons are presented as other supplementary information.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of North Miami operates. The City of North Miami is the fifth largest City in Miami-Dade County, the sixteenth largest in South Florida, and the thirty-third largest in the state. It is 9.5 square miles in area. North Miami's ideal location between Fort Lauderdale and Miami with easy access to major transportation corridors and area resources makes it a desirable place in which to live and work. With such accessibility and convenience, North Miami's major communities like Sunkist Grove, Central North Miami, Keystone Point and San Souci house more than 2,500 businesses and 60,069 residents. These residents are primarily younger families of multi-ethnic backgrounds that make North Miami, one of the youngest, most culturally diverse cities in South Florida. With a median household income of roughly \$29,778, the area represents a stable middle class population base. In 2003, the unemployment rate for City residents was 7.8%. The City is home to many of Florida's film and music studios, and offers office space, manufacturing and warehousing within its boundaries. Housing stock includes a mix of single-family homes, apartment buildings and condominiums. Home sales in North Miami have increased considerably during the past several years.

Long-Term Financial Planning

The City of North Miami's primary focus related to economic growth is the redevelopment of existing commercial property and the enhancement of residential values through neighborhood revitalization. The City through a grant from the Economic Development Administration of the U.S. Department of Commerce has developed a Comprehensive Economic Development Plan that provides insight into the factors influencing North Miami's economy and outlines a program for future action. The plan, adopted by the City Council, formulates an economic development strategy establishing goals and objectives from which achievable neighborhood and commercial revitalization projects can be developed.

In December 2002, a Development Agreement was executed for the former Munisport site (Biscayne Landing). This is a comprehensive development project for the City's last remaining large parcel of open space. When completed, this project will provide new revenue streams for the General Fund and the benefits of a fully funded Community Redevelopment Agency. The Biscayne Landing project represents a major mixed-used development opportunity for a multi-phase development program. Plans include upscale condominiums, a town center, park space, a charter school, and a hotel, all to be phased in over the next 15 years. This development is expected to create a significant potential tax base for the City, and in turn help support redevelopment initiatives elsewhere in the City. Additional information regarding the Munisport site can be found in Note 12 of the notes to the basic financial statements.

MAJOR INITIATIVES

North Miami continues to strengthen its commitment as the "City of Progress". During fiscal year 2003, the City achieved many significant accomplishments in furtherance of the goals and objectives established by the City Council. The accomplishments included:

- Commencement of the Biscayne Landing development phase. This enormous development project will create a significant tax base for the City and provide the necessary funding for redevelopment initiatives elsewhere in the City. Plans include upscale condominiums, a town center, charter school, hotel, and park space.
- Completion of \$1.2 million in sidewalk improvements funded through the CDBG program.
- Initiated construction on \$6.2 million in drainage improvements throughout the City funded through FEMA state and federal grants.
- Received a Community Rating System Class 5 designation entitling residents to a 25% discount on flood insurance.
- Replacement of water distribution and service lines and continuation of the sewer lining project to reduce inflow and infiltration into the City's sewer system.
- Expanded economic and neighborhood revitalization efforts through the City's housing rehabilitation program resulting in increased residential values.
- Continued revitalization of the downtown area. Renovation of the 700 and 800 blocks (north) is complete and discussions with property owners of the 600 block (north) are underway.
- Development of the NoMi Arts District along N.E. 125th Street from N.E. 6th to 9th Avenue and along West Dixie Highway, with relocation of many arts based businesses to the downtown area.
- Continued efforts to increase citizen participation and awareness by hosting classes like KICS (Knowledge in City Services) and the Police Citizens Academy.
- Progress TV-33, North Miami's own cable channel, increased its informational bulletin board as well as programming through a partnership with Florida International University's School of Journalism and Mass Communication and Barry University's School of Communication.

- Implemented monthly billing of residential water and sewer service, making it easier for residents to budget their household costs, thereby reducing delinquent accounts and turn offs.
- Privatization of the water and sewer field service program, resulting in lower overhead costs for the servicing of water and sewer accounts.
- Re-establishment of holiday trash collection.
- Launched a comprehensive Community Oriented Policing Services (COPS) program, proactively addressed gang violence, identified initiatives to curtail false alarms and 911 hang-ups, developed a new police website, and conducted the first Community Compstat meeting to provide citizens with crime data and prevention strategies.
- Received notice of Accreditation from the American Association of Museums for the Museum of Contemporary Art (MoCA) This honor recognizes the museum's commitment to excellence and culminates the many accolades received.
- The E. May Avil Public Library celebrated 50 years of service.
- Winner of American Youth Soccer Organization's Pele Award for youth soccer for the third consecutive year.
- The first City in South Florida to become a Keep America Beautiful affiliate resulting in increased funding for what was "Clean City Week". Cleanup programs are now year long instead of confined to one week.
- Unveiling of Liberty Gardens mural "Life, Liberty and Freedom for All" by Teens in Action volunteers, that was dedicated to the events of September 11, 2001, and located in the 700 block of downtown North Miami.
- Received for the fourteenth consecutive year, a Certificate of Achievement for Excellence in Financial Reporting and successfully implemented GASB 34 a year earlier than required.

Fiscal year 2003 was a year of significant accomplishments. The City is at the beginning of a period of unparalleled economic growth and expansion as envisioned by the Biscayne Landing project. As the City addresses the various demands of growth, it is equally important to identify the challenges that will face the community in the next 5 to 15 years. Facing the needs of a rapidly growing metropolitan community typically places a burden on the financial flexibility of any government unit. With growth comes the challenge of matching new revenue sources with expanding capital needs while maintaining the quality of life amenities and service delivery levels our citizens have come to enjoy and expect.

CASH MANAGEMENT

The City maintains a pooled cash account for all funds excluding the Pension Trust funds. The cash management program involves a mix of maintaining principal and earnings free from risk, maintaining adequate liquidity to meet the City's obligations, and maximizing investment return through the solicitation of competitive rates from various investment sources. In 2001, the City formally adopted its written investment policy pursuant to Section 218.415, Florida Statutes.

The City has primarily invested in Certificates of Deposit (CD's) with financial institutions, collateralized as required by Florida Statutes Chapter 280 "Florida Security for Public Deposits Act", a collateralized Interest on Public Funds Checking Account, investments with the State Board of Administration (SBA) Investment Pool and obligations of the U.S. Treasury consisting primarily of government agency bonds. The average interest rate for the fiscal year was 1.85%. The combined interest earnings from these sources totaled \$473,920. Total interest earned from all sources, including assets held and managed by fiscal agents was \$478,256. The City's Defined Benefit Pension Plans and Defined Contribution Pension Plans manage their own funds, and are not included in the City's pooled cash system. The Pension Trust funds' investment portfolio also includes U.S. Government obligations, corporate stocks and bonds.

RISK MANAGEMENT

The City's General Liability and Workers' Compensation insurance programs are self-insured and accounted for within the General Risk Management Internal Service Fund. This fund contains liability reserves, including Incurred But Not Reported (IBNR) and Allocated Loss Adjustment Expenses (ALAE) reserves, as required by the Governmental Accounting Standards Board's Statement No. 10. The various City departments are assessed a charge based upon requirements of the program. The Workers' Compensation self-insurance program is administered by an outside party. The City purchases commercial insurance coverage for law enforcement officers' and public officials' liability. Group health and dental coverage is provided through fully insured plans to help control costs. Beginning in fiscal year 2000, funds remaining in the Health Insurance Trust Fund are being used to pay the costs of employee health insurance premiums as approved by City Council. Additional information on the City's risk management activity can be found in Note 9 of the notes to the basic financial statements.

PENSION TRUST OPERATIONS

The City of North Miami has two Defined Benefit Pension Plans. The Clair T. Singerman (CTS Plan) Employees' Retirement System covers police officers hired before January 1, 1977, and all general employees and former North Miami firefighters. The Retirement System for Sworn Police Personnel Hired on or After January 1, 1977 (748 Plan) covers police officers hired after January 1, 1977. A separate Board of Trustees is responsible for the administration of each Plan. Two members of each Board are assigned as trustees as a result of their City positions, one member is designated by the City Manager, and the remainder is elected by the Plan membership.

Annually, an independent actuary engaged by the pension boards calculates the amount of the annual pension contribution required by the City to ensure that the plans will be able to fully meet their respective obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plans as determined by the actuary.

The City also offers two defined contribution pension plans. The North Miami Police Officers' Retirement Pension Fund Share Plan covers all City police officers and is funded through state insurance premium tax monies. The City of North Miami Department Managers' Pension Plan covers the City's department managers and is funded through City contributions consisting of 10% of a participant's compensation. These plans are not reported as funds of the City, but are disclosed in the notes to the financial statements as defined contribution pension plans.

The City also sponsors two deferred compensation plans, which qualify under Internal Revenue Code Section 457. The Plans are funded by employee contributions and administered by independent fiduciary agents. These plans do not meet the fiduciary criteria found in NCGA Statement No. 1 and, accordingly, in compliance with GASB Statement No. 32 are not reported in the City's net assets.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Miami for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2002. This was the fourteenth consecutive year that the City has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the September 30, 2003, Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

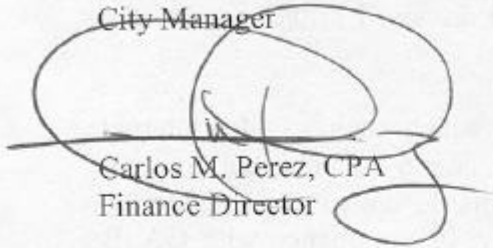
The preparation of this report would have not been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. We also would like to express a special note of thanks to our independent certified public accountants, Rachlin Cohen & Holtz LLP, for their cooperation and assistance. Their professional approach and high standards in the conduct of their independent audit of the City's financial records and transactions is greatly appreciated.

Sincere appreciation is also expressed to the City Council for their leadership, and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Clarence Patterson
City Manager



Carlos M. Perez, CPA
Finance Director

CITY OF NORTH MIAMI, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2003

COUNCIL - MANAGER FORM OF GOVERNMENT

TITLE

NAME

Elected Officials

Mayor	Joe Celestin
Councilman	Michael R. Blynn
Councilman	Jacques Despinosse
Councilman	Scott Galvin
Councilman	Jean Monestime
City Clerk	Simon H. Bloom, Jr.

Appointed Officials

City Manager	Clarence Patterson
City Attorney	John Dellagloria

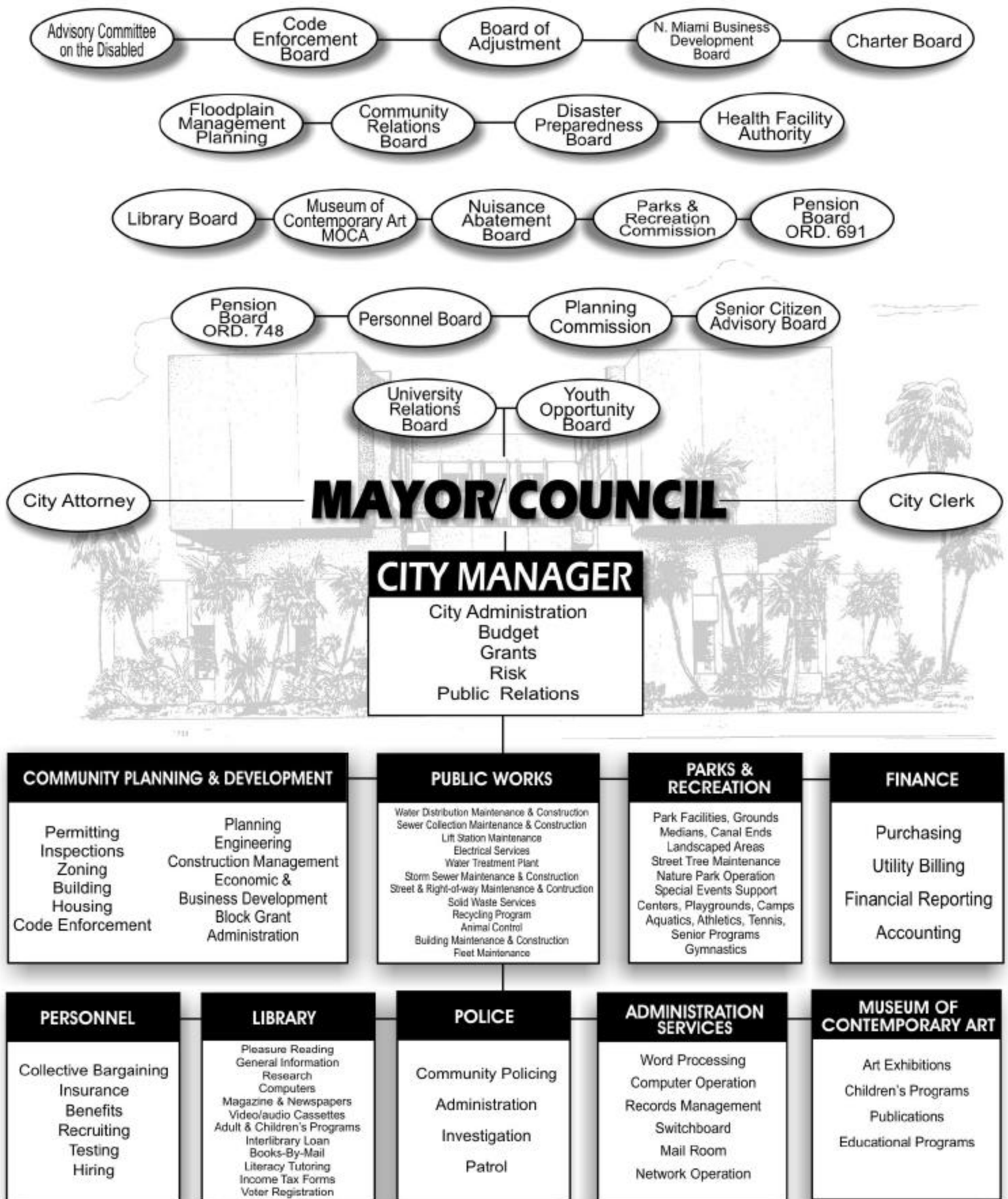
Department Directors

Police Chief	Gwendolyn Boyd-Savage
Museum of Contemporary Art Director	Bonnie Clearwater
Public Works Director	Mark E. Collins
Personnel Administration Director	Rebecca Jones
Interim Administrative Services Director	Hortensia Machado
Community Planning & Development Director	Ricardo Noguera
Finance Director	Carlos M. Perez
Library Director	Ilene Z. Vegazo
Parks & Recreation Director	Nathaniel O. Wilkins

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
Rachlin Cohen & Holtz LLP



ORGANIZATIONAL STRUCTURE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Miami,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Rote
President

Jeffrey L. Esser
Executive Director

E. May Avil North Miami Public Library Celebrates 50 Years

Original North Miami Library 1953



E. May Avil
City Clerk and
first Library Director (left)



Twin sisters, Mrs. Anderson and Mrs. Lindin, are shown here helping students at the library. Together, they ran the library for six years after the Biscayne Park Women's Club turned the library over to the town of North Miami in 1953.



Library Director, Ilene Vegazo cuts the cake with Councilman Michael Blynn at Anniversary Celebration.

Library Anniversary Celebration May 24, 2003



**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North Miami, Florida (the City) as of and for the fiscal year ended September 30, 2003, which, collectively, comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-22 and pages 74-77, respectively, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

- 1 -

Rachlin Cohen & Holtz LLP

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ www.rachlin.com

An Independent Member of Baker Tilly International

Honorable Mayor, City Council City Manager
City of North Miami, Florida
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund financial statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*; and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 11, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

City of North Miami, Florida

Management's Discussion and Analysis

As management of the City of North Miami, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

This is the second year that the City has reported its financial statements in a government-wide format using the GASB Statement Number 34 ("GASB 34") reporting model. Thus, comparative information from the prior year in the GASB 34 format is now available. Fund-based financial reporting and government-wide financial reporting are not viewed as being in conflict; however, they are not comparable. Since government-wide comparative information is available this year, a more significant portion of the analysis will focus on the changes in the government-wide statements, while still providing information on the City's fund-based comparative information.

It is important to note at this point, that the City also made reclassification adjustments that affected the government-wide financial statements, and two prior period adjustments that affected both the government-wide and fund-based financial statements, all of which are currently reflected in the comparative information presented. These adjustments were as follows:

- The reclassification of state shared revenues from general revenues to program revenues; specifically operating grants and contributions under the function general government services.
- The reclassification, within general revenues, of the communication service tax revenues from franchise fees to its own separate line item.
- The beginning net assets balance for the governmental activities was restated for a prior period adjustment relating to an estimated liability for environmental matters that was not reported in the previous year. Refer to Note 15 – Prior Period Adjustments for additional information.
- The beginning net assets balance for the business-type activities was restated for a prior period adjustment relating to the cumulative effect of depreciation expense that had been understated in prior years. Refer to Note 15 – Prior Period Adjustment for additional information.

FINANCIAL HIGHLIGHTS

- The assets of the City of North Miami exceeded its liabilities at the close of the most recent fiscal year by \$40,448,293 (*net assets*), as compared with \$59,740,191 for the previous year. However, unrestricted net assets at year-end reflect a deficit of \$30,246,640, compared with a deficit of \$10,405,120 for the previous year.
- At the end of the fiscal year, the City's \$30,246,640 deficit balance in unrestricted net assets included a deficit of \$31,066,777 for governmental activities, and net assets of \$820,137 for its business-type activities.
- The City's total net assets decreased by \$19,291,898 (or 32%) during the current fiscal year. Included in the total net assets are governmental net assets that decreased by \$18,375,020 (or 56 %), and the business-type net assets, which decreased by \$916,878 (or 3%).

City of North Miami, Florida

Management's Discussion and Analysis

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,421,242, an increase of \$3,269,660 in comparison with the prior year. Approximately 81% (\$6.8 million) of this total amount is available for spending at the government's discretion (*unreserved fund balance*). However, only 52% (\$3.5 million) of this amount is available in the City's General Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,552,376 or 10% of total General Fund expenditures. At the end of the previous fiscal year, this balance was \$1,051,186 or 3% of total General Fund expenditures.
- The City's total debt increased by \$1,581,896 (5%) during the current fiscal year. The key factor in this change was the issuance of \$14,735,000 in taxable special obligation refunding bonds, for the purpose of advance refunding \$11,755,000 in outstanding pension obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1)government-wide financial statements, 2)fund financial statements and 3)notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public works, highways and streets, public safety, culture and recreation, community planning and development, physical environment, and economic environment. The business-type activities of the City include a Water and Sewer Utility, a Stormwater Utility, and Solid Waste Services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate museum for which the City of North Miami is financially accountable. Financial information for the museum is reported separately from the financial information presented for the primary government.

City of North Miami, Florida

Management's Discussion and Analysis

The government-wide financial statements can be found on pages 23-24 of this report.

Infrastructure Assets. While the City elected to early implement GASB 34 in the prior fiscal year, the City has deferred implementing the infrastructure portion related to governmental activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 78-86 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget (pages 74-75).

The basic governmental fund financial statements can be found on pages 25-28 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer, Stormwater, and Solid Waste operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and its self insurance activities. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

City of North Miami, Florida

Management's Discussion and Analysis

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Stormwater, and Solid Waste operations. All three of these funds are considered major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 87-90 of this report.

The basic proprietary fund financial statements can be found on pages 29-33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 36-73 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 77 of this report.

The Management's Discussion and Analysis continues on the next page.

City of North Miami, Florida

Management's Discussion and Analysis

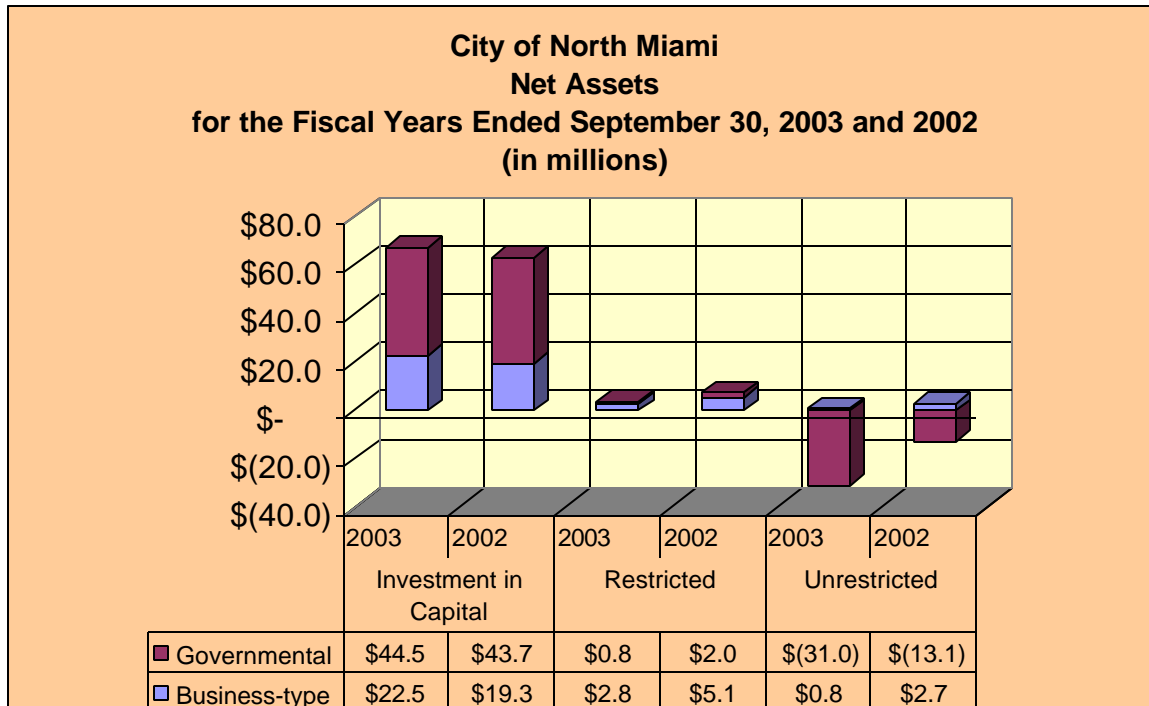
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of North Miami, assets exceeded liabilities by \$40,448,293 at the close of the most recent fiscal year, compared to net assets of \$59,740,191 in the prior year.

City of North Miami's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Restated</u>		<u>Restated</u>		<u>Restated</u>	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$28,152,386	\$25,600,716	\$17,416,777	\$19,456,607	\$45,569,163	\$45,057,323
Capital assets	49,901,913	49,667,956	25,203,475	24,280,409	75,105,388	73,948,365
Total assets	78,054,299	75,268,672	42,620,252	43,737,016	120,674,551	119,005,688
Long-term liabilities	57,048,536	38,262,039	8,795,502	11,390,153	65,844,038	49,652,192
Other liabilities	6,718,400	4,344,250	7,663,820	5,269,055	14,382,220	9,613,305
Total liabilities	63,766,936	42,606,289	16,459,322	16,659,208	80,226,258	59,265,497
Net assets:						
Invested in capital assets, net of related debt	44,535,153	43,663,216	22,517,886	19,354,112	67,053,039	63,017,328
Restricted	818,987	2,062,343	2,822,907	5,065,640	3,641,894	7,127,983
Unrestricted	(31,066,777)	(13,063,176)	820,137	2,658,056	(30,246,640)	(10,405,120)
Total net assets	\$14,287,363	\$32,662,383	\$26,160,930	\$27,077,808	\$40,448,293	\$59,740,191



City of North Miami, Florida

Management's Discussion and Analysis

The change in net assets represents a 32% decrease from the prior year. This decrease is primarily due to the recognition of a \$19.3 million increase in the City's estimated liability for the environmental cleanup and remediation at the site of an illegal dumpsite. In 2003, the City entered into an agreement with a developer who will assume the responsibility for the remediation and cleanup costs as part of developing the property into a multi-million dollar project. Ultimately, however, the City retains the responsibility and must therefore recognize this liability. During 2003, the City also entered into a grant agreement with a local agency, whereby it will be the recipient of approximately \$31 million in funds to be used for the environmental cleanup and remediation. Unfortunately, these funds will not be available until early fiscal year 2005, and as such cannot be recognized as an asset as of September 30, 2003. The increase in this unfunded long-term liability is the most significant impact to the City's reduction of net assets in fiscal year 2003.

By far the largest portion of the City of North Miami's net assets, \$67.1 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. This investment in capital assets reflects a 6 % increase over the prior year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. It should also be noted, that at September 30, 2003, the City's governmental infrastructures acquired prior to fiscal year 2002 are not yet reflected in the City's financial statements. As provided for in GASB 34, the City has elected to defer reporting these assets until a later date.

An additional portion of the City's net assets, \$3,641,894 (9%) represents resources that are subject to external restrictions on how they may be used. This represents a reduction of over 49% from the previous year's balance of \$7,127,983. In the governmental activities, grant related expenditures incurred during the current fiscal year, accounted for approximately \$1 million of the decrease. In the business-type activities, the final maturity of one bond issue, and an increase of \$2.5 million in payables from restricted assets (final balloon payment to retire another bond issue in fiscal year 2004) contributed to the reduction in restricted net assets.

The remaining balance of unrestricted net assets represents a \$30,246,640 deficit at the end of the fiscal year. This deficit does not mean that the City does not have resources to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, as mentioned earlier, the City has an estimated environmental liability of \$31 million, but the funding source will not be available until fiscal year 2005.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for its business-type activities. However, for its governmental activities, all of the net assets are either restricted as to the purposes they can be used for or are invested in capital assets (land, buildings, equipment, and so on). Consequently, unrestricted net assets showed a \$31,066,777 deficit at the end of the fiscal year for the governmental activities for the reasons previously discussed. Although the business-type activities reflect a balance of \$820,137 in unrestricted net assets, these resources cannot be used to make up the deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer and stormwater utilities.

City of North Miami, Florida

Management's Discussion and Analysis

Changes in Net Assets

The following is a comparative analysis of the changes in net assets for the current and prior fiscal years.

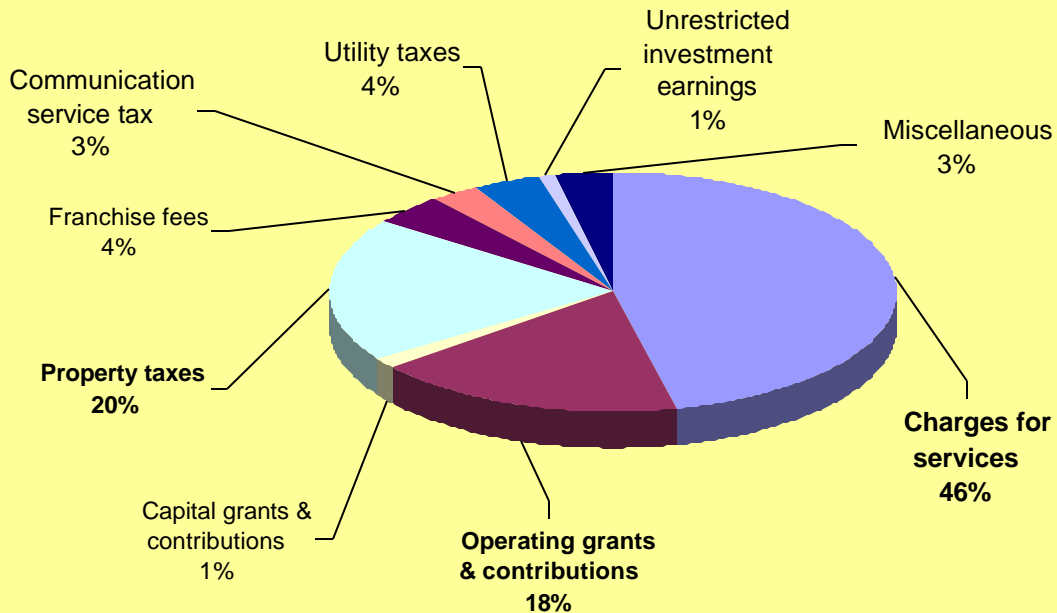
City of North Miami's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2003	Restated 2002	2003	Restated 2002	2003	Restated 2002
Revenues:						
Program Revenues:						
Charges for services	\$7,996,760	\$6,687,434	\$21,927,550	\$21,660,979	\$29,924,310	\$28,348,413
Operating grants and contributions	11,317,404	10,035,639	-	62,217	11,317,404	10,097,856
Capital grants and contributions	504,126	387,567	401,032	588,125	905,158	975,692
General Revenues:						
Property taxes	12,575,861	11,785,025	-	-	12,575,861	11,785,025
Utility taxes	2,521,258	2,428,414	-	-	2,521,258	2,428,414
Communication service tax	1,713,857	2,286,283	-	-	1,713,857	2,286,283
Franchise fees	2,706,832	2,455,206	-	-	2,706,832	2,455,206
Unrestricted investment earnings	196,936	315,408	377,830	454,614	574,766	770,022
Miscellaneous revenues	1,468,529	307,288	684,431	225,786	2,152,960	533,074
Total revenues	41,001,563	36,688,264	23,390,843	22,991,721	64,392,406	59,679,985
Expenses:						
General government	11,966,789	12,594,194	-	-	11,966,789	12,594,194
Public works	836,404	761,565	-	-	836,404	761,565
Highways and streets	2,289,964	2,177,758	-	-	2,289,964	2,177,758
Public safety	12,716,830	11,748,202	-	-	12,716,830	11,748,202
Culture/recreation	5,515,862	5,336,611	-	-	5,515,862	5,336,611
Community planning and development	3,343,428	2,725,694	-	-	3,343,428	2,725,694
Physical environment	19,580,993	849,320	-	-	19,580,993	849,320
Economic environment	1,314,193	144,329	-	-	1,314,193	144,329
Interest on long-term debt	1,365,061	1,085,047	-	-	1,365,061	1,085,047
Water and sewer	-	-	17,952,760	17,291,430	17,952,760	17,291,430
Solid waste	-	-	5,291,596	5,440,595	5,291,596	5,440,595
Stormwater	-	-	1,510,072	1,474,832	1,510,072	1,474,832
Total expenses	58,929,524	37,422,720	24,754,428	24,206,857	83,683,952	61,629,577
Decrease in net assets before transfers	(17,927,961)	(734,456)	(1,363,585)	(1,215,136)	(19,291,546)	(1,949,592)
Transfers	(446,707)	(635,539)	446,707	635,539	-	-
Decrease in net assets	(18,374,668)	(1,369,995)	(916,878)	(579,597)	(19,291,546)	(1,949,592)
Net assets-beginning before prior period adjustments	32,662,383	45,732,378	27,077,808	29,125,351	59,740,191	74,857,729
Prior period adjustments	-	(11,700,000)	-	(1,467,946)	-	(13,167,946)
Net assets-beginning (restated)	32,662,383	34,032,378	27,077,808	27,657,405	59,740,191	61,689,783
Decrease in inventory reserve	(352)	-	-	-	(352)	-
Net assets-ending	\$14,287,363	\$32,662,383	\$26,160,930	\$27,077,808	\$40,448,293	\$59,740,191

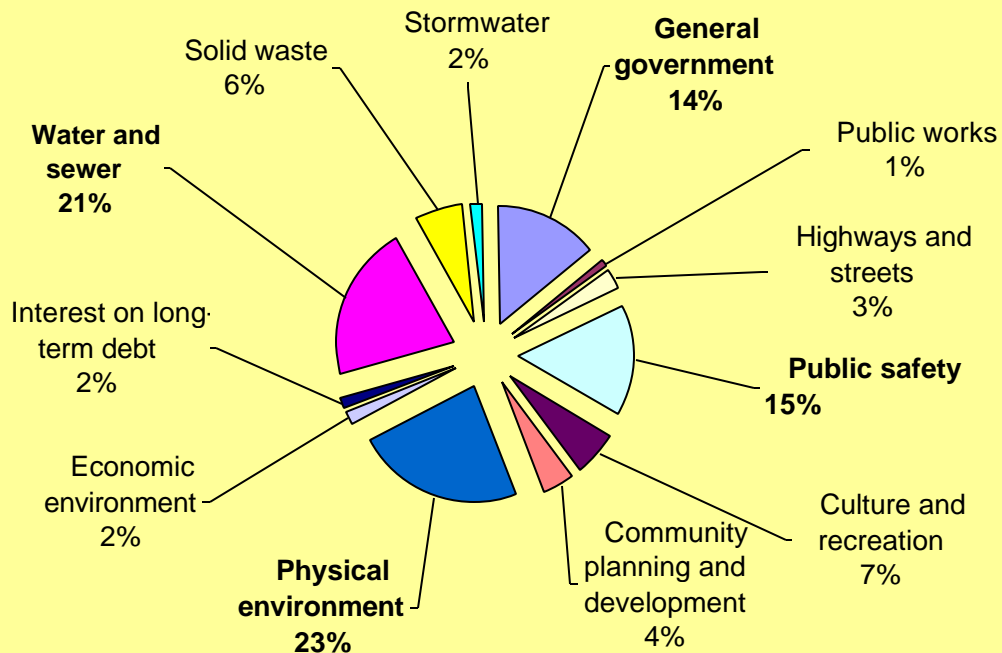
City of North Miami, Florida

Management's Discussion and Analysis

City of North Miami Sources of Revenue for Fiscal Year 2003



City of North Miami Functional Expenses for Fiscal Year 2003



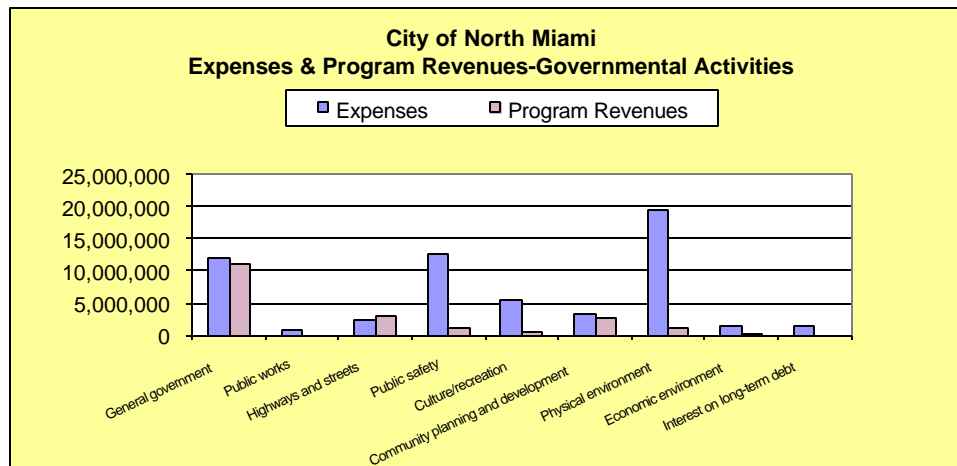
City of North Miami, Florida

Management's Discussion and Analysis

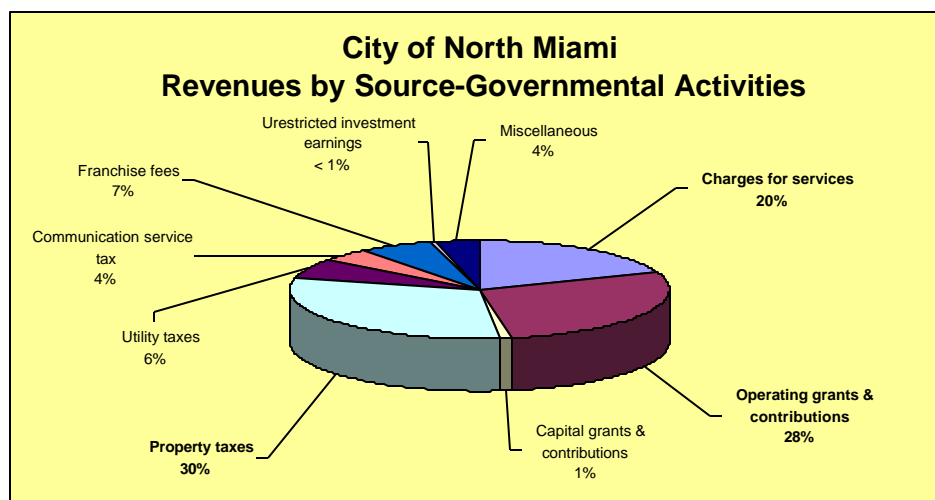
Governmental Activities

Net assets of the City's governmental activities decreased by \$18,375,020 from \$32,662,383 in the last fiscal year to \$14,287,363 in the current fiscal year.

- In 2003, general government, public safety and culture/recreation comprised over 51% of the City's total governmental activities. General government program revenues funded approximately 93% of its activities, while public safety and culture/recreation program revenues fund less than 8% of their activities. General revenues, primarily property taxes, fund the balance of these activities.
- Highways and streets show program revenues in excess of expenses. This is because in 2003 the expense activities do not yet reflect depreciation on infrastructure improvements.
- The most significant item affecting governmental activities is the recognition of an additional \$19.3 million of estimated liability associated with the environmental cleanup of an illegal dumpsite. The previous estimate of \$11.7 million, which had been reversed based on certain information, has been reinstated as a correction of an error through a prior period adjustment. The total estimated liability of \$31 million is expected to be funded with monies from a grant from a local agency. However, because those funds will not be available until early fiscal year 2005, the current year reflects \$19.5 million in physical environment expenses. This represents 33% of the City's total governmental activities in 2003, with program revenues for physical environment funding only 5% of this activity.



Program revenues, comprised of charges for services, and operating and capital grants and contributions, represent 49% of the governmental activities total revenues. Property taxes, which represent 30% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.



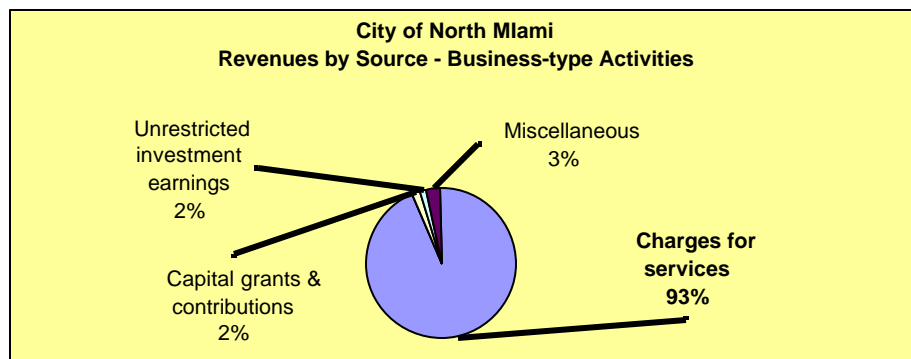
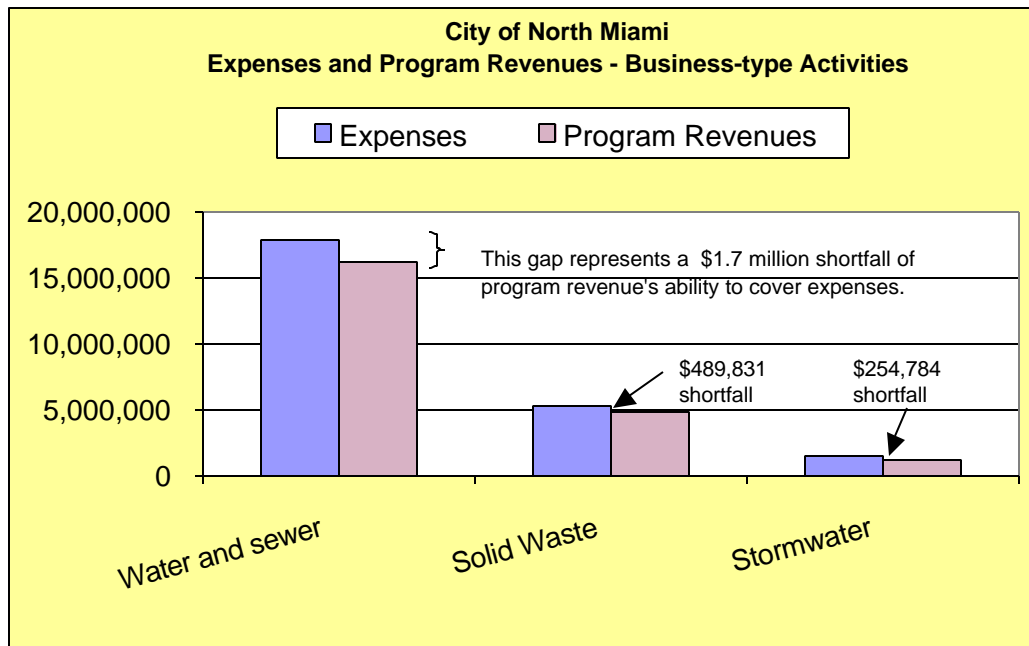
City of North Miami, Florida

Management's Discussion and Analysis

Business-type Activities

Business-type activities for fiscal year 2003 decreased the City's net assets by \$916,878, accounting for less than 5% percent of the total reduction in the City's net assets.

- In fiscal years 2003 and 2002, all three of the City's business-type activities reflected operational losses. As a result, all three activities generated reductions to net assets. While the cost to provide these services continues to rise, the rates being charged to customers remained the same in 2003. Charges for services represent 94% of the total business-type activities' revenues, increasing by only 1% primarily due to slight increases in customer water consumption.
- Expenses in the business-type activities increased by only 2%, which is an improvement over the 7% costs increases experienced last year. Nonetheless, these cost increases exceeded the increases in revenues and reported 12% greater operational losses (\$2.3 million in 2003) than the prior year. Investment earnings and one-time operating transfers, helped to offset the reduction in net assets for the current fiscal year.
- A prior period adjustment for the depreciation of capital assets reduced net assets by another \$1,467,946. Net assets at year end were \$26,160,930; a reduction of \$2,384,824 from the prior year.
- The continued operational losses and declining net assets of these business-type activities became an important topic for the City during its budget meetings for the 2003-04 budget. In late November 2003, the City council approved staff recommended rate increases for two of its business activities. It is anticipated that these increases will result in improved operating results in 2004.



City of North Miami, Florida

Management's Discussion and Analysis

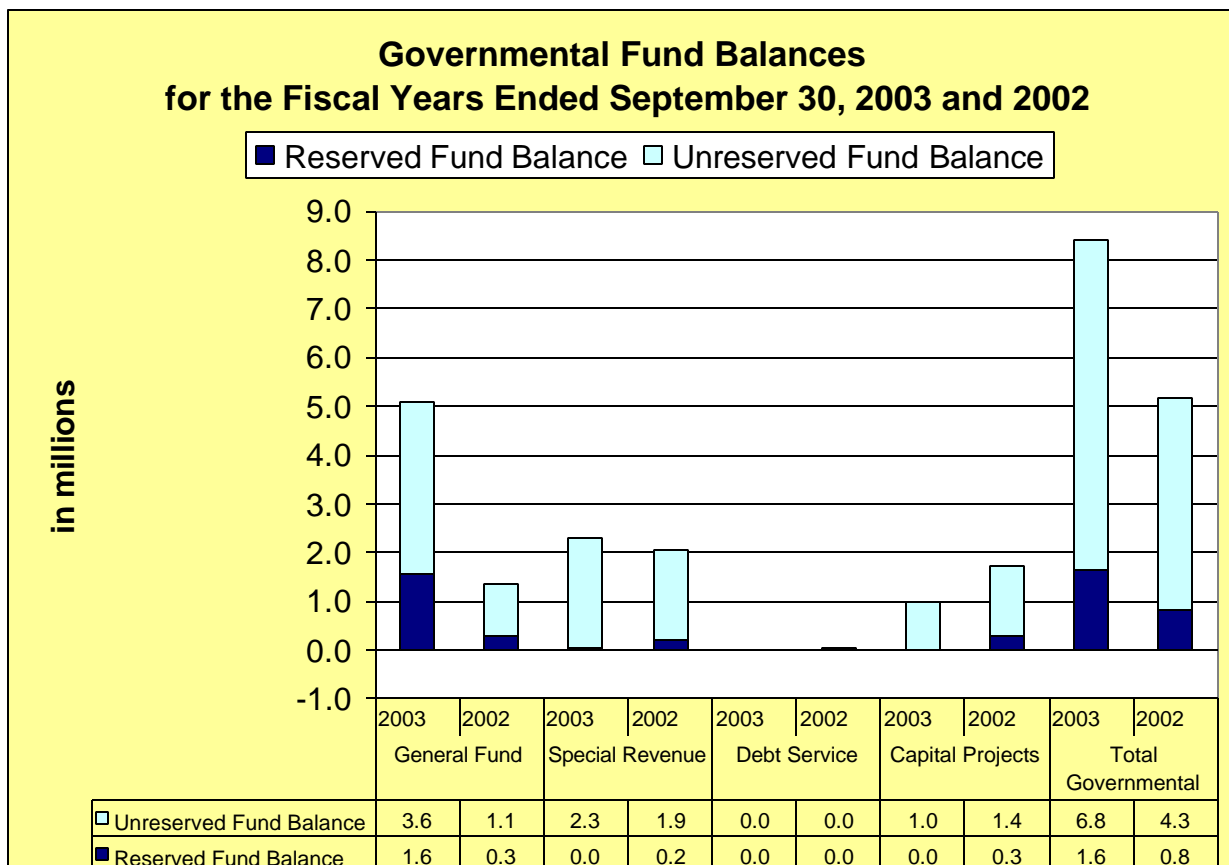
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of North Miami uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2003, the City's governmental funds reported combined ending fund balances of \$8,421,242; an increase of \$3,269,660 in comparison with the prior year. Approximately 81% of the ending fund balance (\$6,797,129) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$1,616,032), or 2) for other restricted purpose (\$8,081). It is important to note, that although available for spending, \$2,262,400 and \$983,964 are the unreserved fund balances for the special revenue funds and the capital project funds respectively. These funds were set up to separately account for certain revenue sources that are legally restricted to expenditure for specified purposes.



City of North Miami, Florida

Management's Discussion and Analysis

General Fund

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated to another fund by law or contractual commitment are accounted for in this fund. General operating expenses and capital improvement costs not paid through another fund are paid from this fund. At September 30, 2003 unreserved fund balance of the General Fund was \$3,552,376, while total fund balance was \$5,107,756. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

General Fund	2003	2002
Unreserved fund balance	\$ 3,552,376	\$ 1,051,186
As percentage of total fund expenditures	10%	3%
Total fund balance	\$ 5,107,756	\$ 1,347,992
As percentage of total fund expenditures	15%	4%

The fund balance of the City's General Fund increased by \$3,759,764 during the current fiscal year. Total revenues increased by 10%, while total General Fund expenditures declined by 1% over the prior year. Thus, the increase in fund balance in 2003 is attributable to the City's ability to keep expenditures down, while generating much needed additional revenues to build and maintain healthy general fund surplus reserves.

The amount of General Fund revenue by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

General Fund	2003	Percent of	(Restated) 2002	Percent of	Increase (Decrease)	Percentage of Increase (Decrease)
Revenues	Amount	Total	Amount	Total	From 2002	(Decrease)
Property taxes	\$12,198,658	35%	\$11,313,624	36%	\$885,034	8%
Utility service taxes	2,521,259	7%	2,428,414	8%	92,845	4%
Communication service tax	1,713,857	5%	2,286,283	7%	(572,426)	-25%
Sales and use taxes	916,554	3%	898,208	3%	18,346	2%
Franchise fees	2,706,832	8%	2,455,206	8%	251,626	10%
Licenses and permits	1,183,969	3%	925,688	3%	258,281	28%
Intergovernmental	5,666,216	16%	5,375,107	17%	291,109	5%
Charges for services	6,027,983	17%	5,139,702	16%	888,281	17%
Fines and forfeitures	314,662	1%	445,051	1%	(130,389)	-29%
Other, including interest	1,846,230	5%	505,215	2%	1,341,015	265%
Total revenues	\$35,096,220	100%	\$31,772,498	100%	\$3,323,722	10%

- Property tax revenues increased 8%. All of this as a result of increased property values and new construction. The operating tax rate remained unchanged at \$8.500 per \$1,000 of assessed value.
- In 2003, other revenues included:
 - \$1 million initial ground lease payment for Biscayne Landing development project
 - \$443,000 settlement proceeds from litigation involving a local home improvement store
- Charges for services to the City's enterprise funds increased for additional services provided by the General Fund, specifically for utility billing services, and for increases in the return on investment in the water and sewer utility (a.k.a. in lieu of taxes) as a result of increases in net capital assets.
- While the communication service tax reflects a "shortfall" from the previous year, this is offset by the "windfall" experienced last year. It appears the state corrected its distribution allocation. The City is currently receiving the same level of revenues it did prior to the October 1, 2001 law.
- Fines and forfeitures included one-time fines (\$25,000) and forfeitures (\$75,000) recognized in 2002.
- Licenses and permits reflect the increased activity of rehabilitation and revitalization of homes and businesses within the City.

City of North Miami, Florida

Management's Discussion and Analysis

Expenditures in the General Fund are shown in the following schedule :

General Fund Expenditures	2003 Amount	Percent of Total	(Restated) 2002 Amount	Percent of Total	Increase (Decrease) From 2002	Percentage of Increase (Decrease)
General government:						
Departmental	\$4,888,888	15%	\$4,923,555	15%	(\$34,667)	-1%
Non-Departmental	5,812,594	18%	7,006,607	21%	(1,194,013)	-17%
Public Works	1,922,398	6%	1,831,985	6%	90,413	5%
Public Safety	11,631,699	35%	10,964,587	33%	667,112	6%
Cultural/Recreation	6,008,020	18%	5,927,243	17%	80,777	1%
Community, planning and development	1,815,855	5%	1,773,421	5%	42,434	2%
Grants/aid	390,513	1%	404,393	1%	(13,880)	-3%
Capital outlay	673,983	2%	779,445	2%	(105,462)	-14%
Total expenditures	\$33,143,950	100%	\$33,126,159	100%	(\$467,286)	-1%

- Public safety accounts for over one-third of the General Fund's budget. The 6% increase is primarily due to salaries, that are normally projected at 6-7% annual increases.
- The unusual decrease in general government expenditures-departmental is the result of cost savings in salaries due to an extended vacant position in the City Manager's department.
- Decreases in capital outlays resulted from the deferral of several capital projects.
- The most significant decrease was in Non-Departmental. The following contributed to this decrease:
 - \$780,543 decrease due to fewer termination payouts to retirees.
 - \$282,763 decrease in charges to contingencies
 - \$745,345 increase in employer contributions to the pension plans
 - \$229,675 increase in premiums for the employee's group health insurance
 - \$548,081 decrease in the workers' compensation premiums and,
 - \$608,488 decrease in the general liability premiums charged by the Risk Management Self Insurance Fund to recover costs for claims paid and to fund long-term claims payable.

Other governmental funds (non major)

Significant items pertaining to other governmental funds (non major) are as follows:

- Special Revenue funds increased their fund balances by \$273,531:
 - The most significant increase was \$1,136,965 in new tax revenues from the Half Cent Transportation Surtax, accounted for in its own fund. This was unbudgeted in 2003.
 - A significant decrease to fund balance resulted from the increased activity in providing home rehabilitation grants to homeowners; \$1,225,194 in grants were awarded during 2003 through the Local Housing Assistance (SHIP) Fund.
 - A portion of the fund balance increase was in the Landfill Closure Fund, where \$600,000 in debt proceeds was drawn down from an existing line of credit (notes payable). While this fund reflects an ending fund balance of \$751,553, the related notes payable had an outstanding balance of \$2,306,760 at yearend. Through 2003, this fund was the recipient of annual grant funding of \$1 million. In 2004, this annual grant funding was replaced by a one-time grant of \$31 million to cover the City's estimated environmental liability, but the funding will not be available until early fiscal year 2005. Over the years this fund has incurred an estimated \$1.5 million in costs that are not reimbursable from the grant, and will require funding through certain other non-ad valorem revenues.
- Debt Service funds reflect a small deficit fund balance of \$1,611, which will be eliminated in 2004.
- Capital Projects funds decreased their fund balances by \$724,828 as a result of ongoing activity with capital projects. Fund balance at yearend was \$1,003,083.

City of North Miami, Florida

Management's Discussion and Analysis

Internal Service Funds

Significant items pertaining to internal service funds are as follows:

- The Group Health Risk Management Fund's net assets continue to decrease. A few years ago, the City elected not to be self-insured with respect to health care insurance for its employees. As a result, the reserve that had been accumulated over previous years, is being partially used each year to pay insurance premiums for employees' health care benefits. The fund balance of \$357,418 will be advanced to the General Fund in 2004, thereby closing this fund at that time.
- The General Risk Management Fund reflects no net assets, because it annually charges the user funds an amount equal to the actuarially determined funding level required to fully fund its workers compensation and general liability estimated long-term claims payable.
- The Fleet Management Fund increased its net assets by \$117,154. Its net assets at yearend were \$6,053,011. This fund is responsible for the maintenance of the City's fleet of vehicles and heavy equipment. Investments in capital assets represent \$3,924,259; the remaining unrestricted net assets of \$2,128,752 are accumulated for vehicle and equipment replacement.

Proprietary Funds

In addition to the items already addressed in the discussion of the City's business-type activities, other significant items pertaining to proprietary funds are as follows:

- The Water & Sewer Utility posted an operating loss of \$1,546,962 for 2003, compared to a loss of \$1,119,524 in 2002. Although revenues were slightly up by 2% over the prior year, a sign that consumption levels are returning to normal after the 2001 water restrictions; without rate increases, the revenues were not enough to cover increased operational expenses. Cost increases included 6% increases in personal expenses (salaries and insurance benefits), increases in charges for services provided by the General Fund, and in the amount paid to the General Fund for its investment in the net capital assets of the utility (a.k.a. in lieu of taxes). Decreases in costs included a 3% reduction in sewage disposal fees, as a benefit of the fund's sewer relining program; a 2% reduction in water purchases, as the water plant produces more of the City's water, and a credit to the premiums charged for general liability by the risk internal service fund. The recurring operational losses contributed to the City's failure to meet the 2003 and 2002 net revenue tests for debt coverage as required in the revenue bond covenant. The last bond matures in 2005, and debt reserve requirements have been met. No rate increases were approved for 2004.
- The Stormwater Utility reported an operating loss of \$321,144 in 2003, compared to \$343,843 in 2002. While personnel services increased by 13%, these were more than offset by decreases in certain contractual expenses. During 2002, the City issued debt (borrowed funds from a pooled bond issue) of \$5,545,000 for improvements to its stormwater drainage infrastructure. At the time the rates were not increased to cover the annual debt service. As a result of recent operational losses, the City has a covenant to budget and appropriate non-ad valorem revenues as security to repay the debt. At yearend it had negative unrestricted net assets of \$266,840. In 2004, the Council approved a rate increase intended to fund the net assets deficit, provide for debt service payments, and to cover increasing operational costs.
- In addition to an operating loss of \$489,831, the Solid Waste Fund has reported liabilities in excess of assets for several years. At yearend, it had negative net assets of \$648,369. User rates have not been sufficient to cover the increasing costs of providing the high level of services expected by the customers. In 2004, approved rate increases are expected to improve the fund's operational results.

Fiduciary Funds

A slightly recovering market, resulted in improved returns and gains for the investments in the City's pension plans. The plans' investment policies set the portfolio allocation at 60% equities and 40% fixed income. Additionally, based on prior years' actuarial valuations and poor investment performance, employer contributions in 2003 increased by \$870,774. As a result, both plans posted increases in net assets totaling \$3,141,977.

City of North Miami, Florida

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in one change to total appropriations: a \$350,000 reduction in appropriations (from contingencies) to provide funding for an advance to the SHIP fund to allow it to meet its contractual commitments with respect to homeowner grants awarded for the rehabilitation of homes. All other changes were between departments (the budgetary level of control for the General Fund) and can be briefly summarized as follows:

- \$132,337 in increases for general government departmental activities
 - \$30,850 in increases for mayor/council
 - \$101,487 in increases for personnel administration
- \$35,000 in increases for community planning and development
- \$60,000 in increases for cultural/recreation (museum)
- \$227,337 in decreases from non-departmental (employee benefits)

Even with these adjustments, actual expenditures were \$5,190,580 below final budget amounts. On the other hand, resources available for appropriations from current year activities were \$2,865,974 below the final budget amount. Other net financing sources came in slightly in excess of budget amounts. This resulted in an overall positive variance of \$2,406,345 between the final budgeted net decrease in fund balance of \$317,399 and the actual net increase of \$2,088,946. Summarized below are the significant variances accompanied by an explanation:

- Intergovernmental: Grants, Unfavorable \$4.7 million variance
 - Reimbursement grants are recognized to the extent expenditures are incurred. No significant activity was recognized for either the circular transit study (\$809,000 grant), or the sidewalk replacement grant (\$1.2 million). Although contractual commitments for sidewalk replacement existed at yearend, no expenditures had been incurred. Additionally, \$2.5 million in appropriations were budgeted in anticipation of grants that were not awarded during 2003.
- Other: Other, Favorable \$1.4 million variance
 - The initial ground lease payment of \$1 million was recognized earlier than anticipated upon execution of the development agreement. Additionally, \$444,000 was received as an unanticipated settlement on a litigated dispute.
- Non-Departmental: Charges for insurance, Favorable \$701,676 variance
 - Yearend analysis of the liability for claims payable, resulted in reimbursements of general liability premiums charged by the Risk Management Self Insurance Fund (an internal service fund). These were recorded as reductions to expenditures, and as interfund receivables at the end of year.
- Non-Departmental: Other, Favorable \$979,342 variance
 - In 2003, the City budgeted \$1 million in grant revenues and expenditures for miscellaneous grants that were anticipated to be awarded to the City. These grants never materialized. Refer to the unfavorable variance in grants above.
- Parks and Recreation: Favorable \$903,843 variance
 - The transportation outreach program associated with the implementation of a no-cost transit circular service within the City, and funded through an F.D.O.T. grant was deferred to 2004. Refer to the unfavorable variance in grants above.
- Capital Outlay: Favorable \$1.8 million variance
 - Construction of the Pepper Park Youth Intervention Center has been deferred to 2004. Refer to the unfavorable variance in grants above.

City of North Miami, Florida

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City of North Miami's investment in capital assets for its governmental and business-type activities as of September 30, 2003, amounts to \$75,105,388 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, enterprise funds' infrastructure, machinery and equipment, and library books. The investment does not include governmental infrastructure assets prior to 2002, as the City has elected to defer inclusion of these assets to a future year.

Capital Assets (net of depreciation)	Governmental Activities		Business-type Activities (Restated)		Totals (Restated)	
	2003	2002	2003	2002	2003	2002
Capital assets, not being depreciated:						
Land	\$25,351,098	\$25,275,566	\$701,432	\$701,432	\$26,052,530	\$25,976,998
Construction in progress	-	1,334	-	125,920	-	127,254
Total capital assets, not being depreciated	25,351,098	25,276,900	701,432	827,352	26,052,530	26,104,252
Capital assets, being depreciated, net						
Buildings/utility plant and improvements	16,805,924	17,121,015	1,712,064	1,337,121	18,517,988	18,458,136
Infrastructure	2,251,410	1,597,819	20,845,444	20,652,756	23,096,854	22,250,575
Machinery and equipment	5,151,112	5,329,639	1,944,535	1,463,180	7,095,647	6,792,819
Library books	342,369	342,583	-	-	342,369	342,583
Total capital assets, being depreciated, net	24,550,815	24,391,056	24,502,043	23,453,057	49,052,858	47,844,113
Total	\$49,901,913	\$49,667,956	\$25,203,475	\$24,280,409	\$75,105,388	\$73,948,365

The total increase in the City's investment in capital assets for the current fiscal year was 1.5% (\$1,157,023). The gross additions to capital assets before depreciation, equaled \$2,541,152 for governmental and \$2,266,246 for business-type activities. This year's major capital asset additions (approximately) included:

- \$122,000 in water and sewer projects. Projects include sanitary sewer line rehabi projects (relining of sewer lines) which are ongoing. Other costs represent upgrades of lift stations and utility lines.
- \$866,000 in stormwater drainage improvement projects. A phase of \$7 million dollars in improvements that are being funded by a loan (\$5 million) and by a FEMA grant (\$2 million).
- \$78,000 in CDBG funding for Westside swale improvements and City Hall ADA retrofitting.
- \$523,000 in capital projects funded by the transportation gas tax. Projects included street and alley resurfacing, street closures, sidewalk replacements and bridge repairs.
- \$76,000 of continuing land improvements at the former Munisport site. The property is being remedied in preparation for a major development (see note 12 for further details).
- \$459,000 in building improvements including \$308,000 for improvements to the water plant.
- \$1.7 million in vehicular assets (fleet). This included 17 police vehicles, a crane truck, a bucket truck, a utility vehicle to be used for traffic homicides, and various other vehicles.
- \$389,000 in equipment. This included about \$175,000 in computer equipment.
- \$216,210 in contributed assets from developers.
- \$147,946 in new books
- \$230,000 in other capital projects/acquisitions including \$123,000 in sidewalk replacements funded by a grant, and \$41,000 to create a soccer complex.

Additional information on the City's capital assets can be found in note 7 on pages 48-50 of this report.

City of North Miami, Florida

Management's Discussion and Analysis

Long-term debt

At September 30, 2003, the City had total bonded debt outstanding of \$29,801,760. Of this amount, \$3,060,000 comprises debt backed by the full faith and credit of the City \$4,440,000 represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The remaining debt is composed of special obligation bonds, loans and notes payable that are secured by non-ad valorem revenues through covenants to budget and appropriate.

	Governmental Activities		Business-type Activities		Totals	
Long-term Debt	2003	2002	2003	2002	2003	2002
General obligation debt	\$3,060,000	\$3,335,000	\$ -	\$ -	\$3,060,000	\$3,335,000
Special obligation bonds	14,635,000	11,755,000	-	-	14,635,000	11,755,000
Loans, notes payable and other obligations	2,306,760	2,679,864	5,360,000	5,545,000	7,666,760	8,224,864
Revenue bonds	-	-	4,440,000	4,905,000	4,440,000	4,905,000
Total	\$20,001,760	\$17,769,864	\$9,800,000	\$10,450,000	\$29,801,760	\$28,219,864

The City's total debt increased by \$1,581,896 (5.6 %) during the current fiscal year. The key factor in this increase was the issuance of \$14,735,000 in variable rate taxable special obligation refunding bonds for the purpose of advance refunding \$11,755,000 of outstanding taxable special obligation (pension obligation) bonds. The bonds were simultaneously converted to a fixed rate through an interest rate swap. Although the City experienced an economic loss on the transaction, this was offset by the swap proceeds received, and the extended maturity on the new debt while keeping debt service payments at the same levels of the refunded debt. Debt retirement on other bond issues and outstanding loans helped offset the increase in the City's total long-term debt.

The City's Water and Sewer revenue bonds had the following ratings in 2002 from Standard & Poor's:

- The 1964 Series (maturing in 2004) A
- The 1965 Series (maturing in 2005) Baa1

The Taxable Special Obligation Refunding Bonds (Pension Funding Project) Series 2002 had a rating of AAA by both Standard and Poor's (November 2002) and Fitch Ratings (December 2002). The ratings reflect the existence of a bond insurance policy.

The loans and notes payable are not rated. The State of Florida does not impose a debt limitation on municipalities.

Additional information on the City's long-term debt can be found in note 8 on pages 51-59 of this report.

City of North Miami, Florida

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

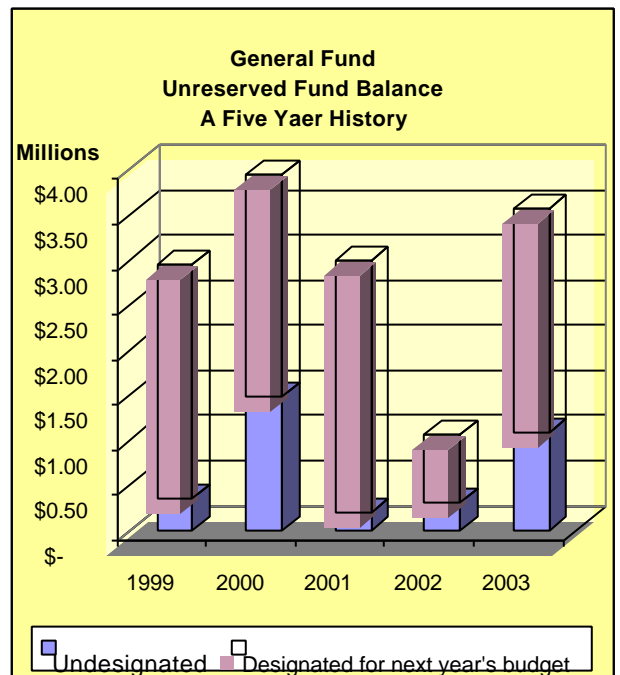
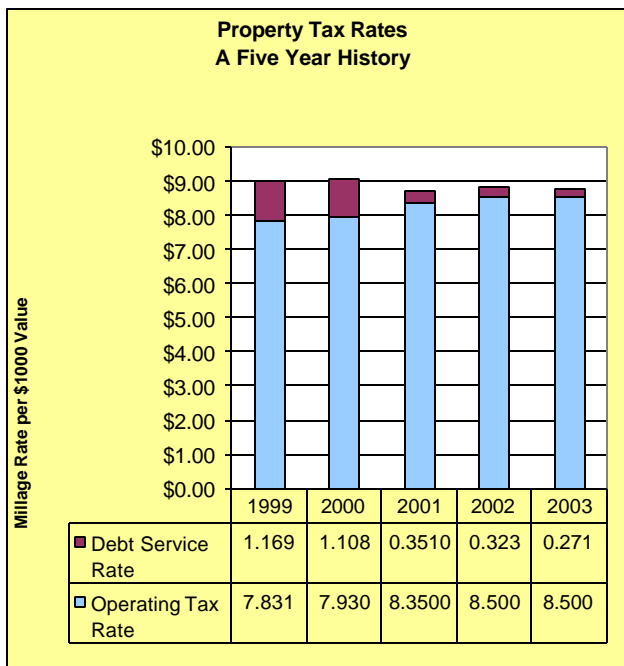
The City's local economy is primarily based upon retail and service activities. Very few areas in the City remain undeveloped, because the City is basically built out. One exception is the former Munisport site, which is the City's last remaining large parcel of open space. This property is being developed into a major project, n/k/a Biscayne Landing that will provide new revenue streams for the City in the future. Additionally, the City's recently adopted comprehensive economic development plan formulates strategies and goals for neighborhood and commercial revitalization, a primary focus of the City for achieving economic growth. In 2004, the City will also create a Community Redevelopment Agency to further the movement of city-wide redevelopment.

The State of Florida limits all local government's ability to increase taxable property values in any given year to 3% or cost of living, whichever is lower. Additionally, the first \$25,000 of assessed value is exempt from taxation on homestead property. The City is primarily residential in character and as a result the tax base is not expected to grow as fast as the City's budget. For many years, the City, just like many cities across the country, has had to face the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect.

Between 1999 and 2003, the City's General Fund budget has increased approximately 41%. During this same period, the consumer price index increased just over 10%. The difference in the rate of growth has been attributed to the expansion of programming and the operation of new facilities.

During the current fiscal year, unreserved fund balance in the general fund increased to \$3,552,376. The City has appropriated \$2,055,159 of this amount for spending in the 2004 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2004 fiscal year.

The charts below present a five year history the City's operating tax rate and unreserved balances:

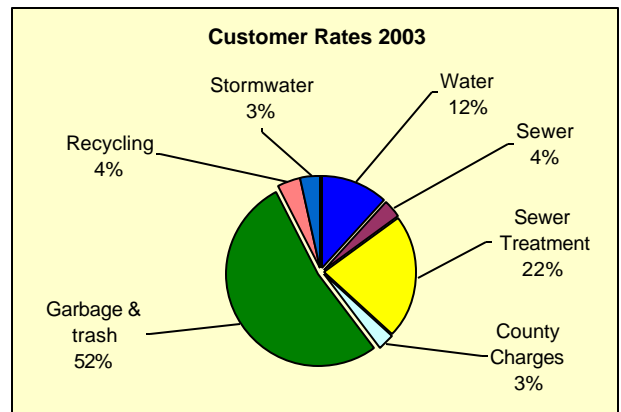


City of North Miami, Florida

Management's Discussion and Analysis

The chart below reflects a five-year history of annual rates (utility bills) affecting a single family home inside the City that uses 60,000 gallons during the year (an average of 5,000 gallons/month; the minimum charge):

		Fiscal Years				
Customer Rates-Annual		1999	2000	2001	2002	2003
Solid Waste	Water	\$ 78.00	\$ 84.00	\$ 84.00	\$ 84.00	\$ 84.00
	Sewer	24.20	26.04	26.04	26.04	26.04
	Sewer Treatment	159.60	159.60	159.60	159.60	159.60
	County Charges	19.64	20.24	20.24	20.24	20.24
	Garbage/trash	372.00	378.00	378.00	384.00	384.00
	Recycling	20.04	21.96	-	29.16	29.16
	Stormwater	25.20	25.20	25.20	25.20	25.20
	Totals	\$698.68	\$715.04	\$693.08	\$728.24	\$728.24



The City's Solid Waste Fund's rates are higher than those of some surrounding municipalities, and yet this fund's operation continues to post annual losses. The future of this fund's operation became a focal point of the 2004 budget. Approved rate increases, and small reductions in service levels for 2004 are expected to improve this fund's outlook. In 2004, the Stormwater's rates were finally increased to cover the annual debt service for borrowings of over \$5.4 million, and to fund existing deficits. The Water & Sewer fund experienced another significant operating loss, and as a result the net revenue test for debt service coverage as required in the revenue bond covenant was not met in either 2003 or 2002. Debt reserve requirements were met in both years. Although the fund's remaining two bond series have maturities in 2004 and 2005, this non-compliance could have a negative affect on the City's future borrowings. Despite all of this, proposed rate increases for water and sewer services were not approved. The Water & Sewer Utility's unrestricted net assets declined from \$3,060,492 in 2002, to a balance of \$1,753,346 in 2003. Although rate increases were approved for 2004 for two of its utilities, these rate increases addressed the activities expected in fiscal year 2004 only. The rates should be reviewed annually, and be adjusted for inflation.

During fiscal year 2004, the City will be looking at the following programs:

- Final execution of a lease agreement, and initial phases of construction for the City's proposed development, n/k/a *Biscayne Landing*, is expected to provide the City with a significant revenue stream in the future.
- As part of the development agreement, and the City is also pursuing the following:
 - A municipal charter school for grades 9 through 12
 - Renovation and expansion of the existing City library
 - An Olympic training center
- The creation of a Community Redevelopment Area, and later an Agency to oversee its activities. This is expected to increase the quantity and enhance the quality of commercial, industrial and housing development adding substantially to the tax base of the City and the redevelopment area.
- Identification of new and additional sources of revenue.
- Aggressive pursuit of additional grant funding opportunities.
- Continued improvements to the stormwater drainage system
- Implementation of a no-cost transit circulator service as public transportation for City residents.
- The construction of the Pepper Park Youth Intervention Center to benefit the community's youth.

All of these factors were considered in preparing the City of North Miami's budget for the 2004 fiscal year.

City of North Miami, Florida

Management's Discussion and Analysis

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of North Miami's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Carlos M. Perez, Finance Director, Finance Department, City of North Miami, 776 NE 125 Street, North Miami, Florida, 33161.

BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

	<u>Primary Government</u>			Component
		Business-		<u>Unit</u>
	<u>Governmental</u>	<u>type</u>	<u>Total</u>	<u>MoCA</u>
	<u>Activities</u>	<u>Activities</u>		
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,451,963	\$ 658,220	\$ 7,110,183	\$ 233,346
Investments	7,800,000	1,550,000	9,350,000	-
Receivables	3,252,376	4,067,367	7,319,743	228,806
Internal balances	1,106,142	(1,106,142)	-	-
Inventories and supplies	62,001	345,382	407,383	19,308
Net pension asset	8,921,015	-	8,921,015	-
Deferred charges	460,617	95,170	555,787	-
Net investment in sales-type lease	-	747,704	747,704	-
Restricted assets:				
Cash and investments	-	11,052,658	11,052,658	79,833
Other assets	98,272	6,418	104,690	1,979
Capital assets, not being depreciated	25,351,098	701,432	26,052,530	-
Capital assets, being depreciated, net	<u>24,550,815</u>	<u>24,502,043</u>	<u>49,052,858</u>	<u>17,873</u>
Total assets	<u>78,054,299</u>	<u>42,620,252</u>	<u>120,674,551</u>	<u>581,145</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	1,840,363	1,482,759	3,323,122	101,390
Contracts payable - retainage	240,929	-	240,929	-
Interest payable	285,043	109,073	394,116	-
Deposits and performance bonds	50,496	1,811,179	1,861,675	-
Payable from restricted assets	-	2,842,159	2,842,159	-
Due to other governments	3,656	1,238,650	1,242,306	-
Unearned revenue	2,116,315	-	2,116,315	-
Noncurrent liabilities:				-
Due within one year	2,181,598	180,000	2,361,598	-
Due in more than one year	<u>57,048,536</u>	<u>8,795,502</u>	<u>65,844,038</u>	<u>-</u>
Total liabilities	<u>63,766,936</u>	<u>16,459,322</u>	<u>80,226,258</u>	<u>101,390</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	44,535,153	22,517,886	67,053,039	-
Restricted for:				
Capital projects	452,555	908,470	1,361,025	-
Law enforcement	256,576	-	256,576	-
Retirement of revenue bonds	-	1,914,437	1,914,437	-
Museum operations	-	-	-	230,569
Grant related expenses	109,856	-	109,856	-
Unrestricted	<u>(31,066,777)</u>	<u>820,137</u>	<u>(30,246,640)</u>	<u>249,186</u>
Total net assets	<u>\$ 14,287,363</u>	<u>\$ 26,160,930</u>	<u>\$ 40,448,293</u>	<u>\$ 479,755</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business- type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 11,966,789	\$ 6,434,606	\$ 4,673,362	\$ -	\$ (858,821)	\$ -	\$ (858,821)	\$ -
Public works	836,404	-	-	-	(836,404)	-	(836,404)	-
Highways and streets	2,289,964	20,765	2,612,022	503,566	846,389	-	846,389	-
Public safety	12,716,830	190,374	797,776	-	(11,728,680)	-	(11,728,680)	-
Culture/recreation	5,515,862	433,843	1,050	560	(5,080,409)	-	(5,080,409)	-
Community planning and development	3,343,428	917,172	1,873,179	-	(553,077)	-	(553,077)	-
Physical environment	19,580,993	-	1,020,889	-	(18,560,104)	-	(18,560,104)	-
Economic environment	1,314,193	-	339,126	-	(975,067)	-	(975,067)	-
Interest on long-term debt	1,365,061	-	-	-	(1,365,061)	-	(1,365,061)	-
Total governmental activities	<u>58,929,524</u>	<u>7,996,760</u>	<u>11,317,404</u>	<u>504,126</u>	<u>(39,111,234)</u>	<u>-</u>	<u>(39,111,234)</u>	<u>-</u>
Business-type activities:								
Water and sewer	17,952,760	16,211,044	-	60,485	-	(1,681,231)	(1,681,231)	-
Solid waste	5,291,596	4,801,765	-	-	-	(489,831)	(489,831)	-
Stormwater	1,510,072	914,741	-	340,547	-	(254,784)	(254,784)	-
Total business-type activities	<u>24,754,428</u>	<u>21,927,550</u>	<u>-</u>	<u>401,032</u>	<u>-</u>	<u>(2,425,846)</u>	<u>(2,425,846)</u>	<u>-</u>
Total primary government	<u>\$83,683,952</u>	<u>\$29,924,310</u>	<u>\$11,317,404</u>	<u>\$ 905,158</u>	<u>(39,111,234)</u>	<u>(2,425,846)</u>	<u>(41,537,080)</u>	<u>-</u>
Component unit:								
MoCA	<u>\$ 2,129,967</u>	<u>\$ 480,909</u>	<u>\$ 1,697,498</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,440</u>
General revenues:								
Property taxes levied for general purposes					12,198,658	-	12,198,658	-
Property taxes levied for debt service					377,203	-	377,203	-
Utility taxes					2,521,258	-	2,521,258	-
Communication service tax					1,713,857	-	1,713,857	-
Franchise fees based on gross receipts					2,706,832	-	2,706,832	-
Unrestricted investment earnings					196,936	377,830	574,766	1,700
Miscellaneous revenues					1,468,177	684,431	2,152,608	1,404
Transfers					(446,707)	446,707	-	-
Total general revenues and transfers					<u>20,736,214</u>	<u>1,508,968</u>	<u>22,245,182</u>	<u>3,104</u>
Change in net assets					(18,375,020)	(916,878)	(19,291,898)	51,544
Net assets - beginning, as previously reported					44,362,383	28,545,754	72,908,137	428,211
Prior period adjustment					(11,700,000)	(1,467,946)	(13,167,946)	-
Net assets - beginning, as restated					<u>32,662,383</u>	<u>27,077,808</u>	<u>59,740,191</u>	<u>428,211</u>
Net assets - ending					<u>\$ 14,287,363</u>	<u>\$26,160,930</u>	<u>\$40,448,293</u>	<u>\$ 479,755</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,466,943	\$ 2,488,317	\$ 3,955,260
Investments	2,450,000	1,200,000	3,650,000
Receivables, net	1,697,088	1,529,507	3,226,595
Due from other funds	1,700,920	-	1,700,920
Inventories and supplies	8,081	-	8,081
Other assets	46,656	9,005	55,661
Total assets	<u>\$ 7,369,688</u>	<u>\$ 5,226,829</u>	<u>\$ 12,596,517</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,213,857	\$ 555,208	\$ 1,769,065
Accrued bond interest	-	20,645	20,645
Contract payable - including retainage	194,583	46,346	240,929
Compensated absences	96,489	-	96,489
Deposits and performance bonds	50,496	-	50,496
Due to other funds	75,682	1,024,138	1,099,820
Interfund payable	252,207	-	252,207
Due to other governmental units	3,655	-	3,655
Advances from other funds	30,529	76,159	106,688
Deferred revenue	24,929	190,847	215,776
Unearned revenue	319,505	-	319,505
Total liabilities	<u>2,261,932</u>	<u>1,913,343</u>	<u>4,175,275</u>
Fund balances:			
Reserved:			
Encumbrances	1,547,299	68,733	1,616,032
Inventories and supplies	8,081	-	8,081
Unreserved reported in:			
General fund:			
Undesignated	1,072,617	-	1,072,617
Designated	2,479,759	-	2,479,759
Special revenue funds:			
Undesignated	-	72,357	72,357
Designated	-	2,190,043	2,190,043
Debt service funds	-	(1,611)	(1,611)
Capital projects funds:			
Undesignated	-	110,837	110,837
Designated	-	873,127	873,127
Total fund balances	<u>5,107,756</u>	<u>3,313,486</u>	<u>8,421,242</u>
Total liabilities and fund balances	<u>\$ 7,369,688</u>	<u>\$ 5,226,829</u>	

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2003

Total fund balances for governmental funds (page 25)	\$ 8,421,242
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	46,016,760
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	460,617
A negative NPO (net pension obligation) is not considered to represent a financial asset and therefore is not reported in the governmental funds.	8,921,015
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate the liabilities.	
These liabilities consist of:	
Compensated absences	\$ (5,625,068)
Bonds payable	(12,072,482)
Notes payable	(2,306,761)
Loan payable	(3,050,933)
Interest payable	(264,398)
Remediation and landfill closure costs	<u>(31,000,000)</u>
Total long-term liabilities	(54,319,642)
Unearned revenue in governmental funds is susceptible to full accrual on the entity-wide statements.	
Unearned revenue	(1,581,034)
Internal service funds are used by management to charge the costs of risk management, fleet management, and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>6,368,405</u>
Net assets of governmental activities	<u>\$ 14,287,363</u>

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 20,057,160	\$ 377,203	\$ 20,434,363
Licenses and permits	1,183,969	-	1,183,969
Intergovernmental	5,666,216	4,664,589	10,330,805
Charges for services	6,027,983	-	6,027,983
Fines and forfeitures	314,662	451,833	766,495
Other (including interest)	1,846,230	69,734	1,915,964
Total revenues	<u>35,096,220</u>	<u>5,563,359</u>	<u>40,659,579</u>
Expenditures:			
Current:			
General government	10,701,482	-	10,701,482
Public works	1,922,398	-	1,922,398
Public safety	11,631,699	514,499	12,146,198
Culture/recreation	6,008,020	-	6,008,020
Community planning and development	1,815,855	386,955	2,202,810
Physical environment	-	262,161	262,161
Economic environment	-	57,734	57,734
Grants/aid	390,513	2,465,761	2,856,274
Capital outlay	673,983	906,000	1,579,983
Debt service:			
Principal retirement	-	1,348,103	1,348,103
Interest and fiscal charges	-	1,127,822	1,127,822
Issuance costs	-	422,662	422,662
Total expenditures	<u>33,143,950</u>	<u>7,491,697</u>	<u>40,635,647</u>
Excess (deficiency) of revenues over expenditures	<u>1,952,270</u>	<u>(1,928,338)</u>	<u>23,932</u>
Other financing sources (uses):			
Transfers in	2,803,956	1,039,191	3,843,147
Transfers out	(996,110)	(2,477,719)	(3,473,829)
Debt issued	-	15,335,000	15,335,000
Proceeds from interest rate swap	-	1,854,100	1,854,100
Payment to escrow agent	-	(14,312,338)	(14,312,338)
Total other financing sources (uses)	<u>1,807,846</u>	<u>1,438,234</u>	<u>3,246,080</u>
Net change in fund balances	3,760,116	(490,104)	3,270,012
Fund balances - beginning	1,347,992	3,803,590	5,151,582
Decrease in inventory reserve	(352)	-	(352)
Fund balances - ending	<u>\$ 5,107,756</u>	<u>\$ 3,313,486</u>	<u>\$ 8,421,242</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2003

Net change in fund balances-total governmental funds (page 27) \$ 3,270,012

Amounts reported for governmental activities in the statement of activities (page 24)
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense. This is the amount by which
capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 1,579,983	
Depreciation expense	<u>(1,063,424)</u>	
Net adjustment		516,559

In governmental funds, the proceeds received from dispositions of capital
assets increases financial resources. In the statement of activities a gain or loss
on sales, trade-ins, or other dispositions of capital assets is reported. Therefore, the
change in net assets differs from the change in fund balance by the net book value
of capital assets disposed. (159,051)

The issuance of long-term debt (e.g., bonds, loans,) provides current financial resources
to governmental funds, while the repayment of the principal of long-term debt
consumes the current financial resources of governmental funds. Neither transaction,
however, has any effect on net assets. Also, governmental funds report the effect of
issuance costs, premiums, discounts, and similar items when debt is first issued
whereas these amounts are deferred and amortized in the statement of activities.

The details of the difference are as follows:

Debt issued:		
Pension Obligation Refunding Bonds-Series 2002	(14,735,000)	
Debt issuance costs	422,662	
Notes payable	<u>(600,000)</u>	
Principal payments:		
FMLC loan (General Obligation)	275,000	
Pension Obligation Bonds	100,000	
Notes payable	973,103	
Proceeds from Interest Rate Swap (Pension Obligation Bonds)	(1,854,100)	
Payment to escrow agent for refunding	<u>14,312,338</u>	
Net adjustment		(1,105,997)

Some expenses reported in the statement of activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in
governmental funds.

The details of the difference are as follows:

Remediation and landfill closure costs	(19,300,000)	
Compensated absences	(64,225)	
Accrued interest	4,485	
Amortization of deferred charge on refunding	(141,340)	
Amortization of issuance costs	(157,674)	
Amortization of loan premium	7,946	
Amortization of interest rate swap proceeds	57,290	
Amortization of net pension asset	<u>(471,563)</u>	
Net adjustment		(20,065,081)

Under the modified accrual basis of accounting used in the governmental funds, revenues
are not recognized until funds are measurable and available to finance current
expenditures. In the statement of activities, however, which is presented on the
accrual basis, revenues are reported when earned. 215,776

Internal service funds are used by management to charge the costs of risk management,
fleet management, and health insurance premiums to individuals funds.

The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>(1,047,238)</u>
Change in net assets of governmental activities (page 24)		<u>\$ (18,375,020)</u>

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	Water and Sewer Utility	Solid Waste Services	Stormwater Utility	Totals	
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 101,764	\$ 434,401	\$ 122,055	\$ 658,220	\$ 2,496,703
Investments	1,550,000	-	-	1,550,000	4,150,000
Receivables	3,071,391	537,850	458,126	4,067,367	25,781
Due from other funds	517,720	-	-	517,720	212,009
Inventories and supplies	345,382	-	-	345,382	53,920
Other assets	6,317	-	101	6,418	42,610
Restricted assets:					
Cash held by agent	-	-	5,387,592	5,387,592	-
Performance bonds and refundable deposits	205,252	-	-	205,252	-
Retirement and sinking funds	4,550,344	-	-	4,550,344	-
Renewal and replacement fund	909,470	-	-	909,470	-
Total restricted assets	<u>5,665,066</u>	<u>-</u>	<u>5,387,592</u>	<u>11,052,658</u>	<u>-</u>
Total current assets	<u>11,257,640</u>	<u>972,251</u>	<u>5,967,874</u>	<u>18,197,765</u>	<u>6,981,023</u>
Non-current assets:					
Interfund receivable	-	-	-	-	618,459
Deferred charges	-	-	95,170	95,170	-
Net investment in sales-type lease	747,704	-	-	747,704	-
Advances to other funds	256,774	-	-	256,774	308,707
Capital assets, net	<u>23,246,418</u>	<u>314,733</u>	<u>1,642,324</u>	<u>25,203,475</u>	<u>3,927,177</u>
Total non-current assets	<u>24,250,896</u>	<u>314,733</u>	<u>1,737,494</u>	<u>26,303,123</u>	<u>4,854,343</u>
Total assets	<u>35,508,536</u>	<u>1,286,984</u>	<u>7,705,368</u>	<u>44,500,888</u>	<u>11,835,366</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	<u>Water and Sewer Utility</u>	<u>Solid Waste Services</u>	<u>Stormwater Utility</u>	<u>Totals</u>	
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 863,420	\$ 175,240	\$ 444,099	\$ 1,482,759	\$ 71,298
Due to other funds	51,830	560,336	463,625	1,075,791	255,038
Customer deposits	1,811,179	-	-	1,811,179	-
Due to other governmental units	1,238,650	-	-	1,238,650	-
Current portion of loan payable	-	-	180,000	180,000	-
Loan interest payable	-	-	109,073	109,073	-
Total current liabilities	<u>3,965,079</u>	<u>735,576</u>	<u>1,196,797</u>	<u>5,897,452</u>	<u>326,336</u>
Current liabilities payable from restricted assets:					
Performance bonds and refundable deposits	205,252	-	-	205,252	-
Other payables	1,000	-	-	1,000	-
Current portion of revenue bonds	2,570,000	-	-	2,570,000	-
Accrued bond interest	29,637	-	-	29,637	-
Matured bonds and interest payable	36,270	-	-	36,270	-
Total payable from restricted assets	<u>2,842,159</u>	<u>-</u>	<u>-</u>	<u>2,842,159</u>	<u>-</u>
Non-current liabilities:					
Compensated absences	734,370	689,981	88,405	1,512,756	343,220
Interfund payable	168,873	165,636	11,543	346,052	20,200
Estimated claims payable	-	-	-	-	4,735,181
Advances from other funds	-	344,160	114,633	458,793	-
Loan payable	-	-	5,419,362	5,419,362	-
Revenue bonds payable	1,863,384	-	-	1,863,384	-
Total non-current liabilities	<u>2,766,627</u>	<u>1,199,777</u>	<u>5,633,943</u>	<u>9,600,347</u>	<u>5,098,601</u>
Total liabilities	<u>9,573,865</u>	<u>1,935,353</u>	<u>6,830,740</u>	<u>18,339,958</u>	<u>5,424,937</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	21,376,418	-	1,141,468	22,517,886	3,927,177
Restricted for:					
Capital projects	908,470	-	-	908,470	-
Retirement of revenue bonds	1,914,437	-	-	1,914,437	-
Unrestricted (deficit)	1,735,346	(648,369)	(266,840)	820,137	2,483,252
Total net assets	<u>\$ 25,934,671</u>	<u>\$ (648,369)</u>	<u>\$ 874,628</u>	<u>\$ 26,160,930</u>	<u>\$ 6,410,429</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	Water and Sewer <u>Utility</u>	Solid Waste <u>Services</u>	Stormwater <u>Utility</u>	<u>Totals</u>	
Operating revenues:					
Metered water sales	\$ 5,449,962	\$ -	\$ -	\$ 5,449,962	\$ -
Sanitary sewer sales	1,498,832	-	-	1,498,832	-
Sewage treatment charges	7,818,973	-	-	7,818,973	-
Solid waste services	-	4,801,765	-	4,801,765	-
Stormwater charges	-	-	914,741	914,741	-
Motor vehicle charges	-	-	-	-	2,981,676
Other charges for services	<u>1,443,277</u>	<u>-</u>	<u>-</u>	<u>1,443,277</u>	<u>1,663,765</u>
Total operating revenues	<u>16,211,044</u>	<u>4,801,765</u>	<u>914,741</u>	<u>21,927,550</u>	<u>4,645,441</u>
Operating expenses:					
Personal services	3,135,512	2,342,331	471,362	5,949,205	1,247,777
Sewage disposal and water charges	7,865,819	-	-	7,865,819	-
Solid waste disposal fees	-	1,392,672	-	1,392,672	-
Claims	-	-	-	-	1,268,000
Materials, supplies, services and other operating expenses	5,592,902	1,550,489	726,977	7,870,368	1,808,168
Depreciation	<u>1,163,773</u>	<u>6,104</u>	<u>37,546</u>	<u>1,207,423</u>	<u>1,083,205</u>
Total operating expenses	<u>17,758,006</u>	<u>5,291,596</u>	<u>1,235,885</u>	<u>24,285,487</u>	<u>5,407,150</u>
Operating loss	<u>(1,546,962)</u>	<u>(489,831)</u>	<u>(321,144)</u>	<u>(2,357,937)</u>	<u>(761,709)</u>
Non-operating revenues (expenses):					
Interest income	187,006	-	177,526	364,532	93,653
Grants	60,485	-	340,547	401,032	-
Interest expense and fiscal charges	(191,451)	-	(267,216)	(458,667)	-
Bond premium (discount)	(3,303)	-	13,298	9,995	-
Bond issuance costs	-	-	(5,287)	(5,287)	-
Miscellaneous	<u>115,332</u>	<u>2,198</u>	<u>(1,684)</u>	<u>115,846</u>	<u>417,743</u>
Total non-operating revenues	<u>168,069</u>	<u>2,198</u>	<u>257,184</u>	<u>427,451</u>	<u>511,396</u>
Loss before contributions and transfers	<u>(1,378,893)</u>	<u>(487,633)</u>	<u>(63,960)</u>	<u>(1,930,486)</u>	<u>(250,313)</u>
Capital contributions	566,901	-	-	566,901	19,100
Transfers in	204,000	477,750	28,500	710,250	425,274
Transfers out	<u>(136,022)</u>	<u>(108,518)</u>	<u>(19,003)</u>	<u>(263,543)</u>	<u>(1,199,275)</u>
	<u>634,879</u>	<u>369,232</u>	<u>9,497</u>	<u>1,013,608</u>	<u>(754,901)</u>
Change in net assets	<u>(744,014)</u>	<u>(118,401)</u>	<u>(54,463)</u>	<u>(916,878)</u>	<u>(1,005,214)</u>
Net assets, beginning, as previously reported	28,146,631	(529,968)	929,091	28,545,754	7,415,643
Prior period adjustment	<u>(1,467,946)</u>	<u>-</u>	<u>-</u>	<u>(1,467,946)</u>	<u>-</u>
Net assets, beginning, as restated	<u>26,678,685</u>	<u>(529,968)</u>	<u>929,091</u>	<u>27,077,808</u>	<u>7,415,643</u>
Net assets, ending	<u>\$25,934,671</u>	<u>\$(648,369)</u>	<u>\$ 874,628</u>	<u>\$26,160,930</u>	<u>\$ 6,410,429</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	<u>Water and Sewer Utility</u>	<u>Solid Waste Services</u>	<u>Stormwater Utility</u>	<u>Totals</u>	
Cash flows from operating activities:					
Cash received from customers, including cash deposits	\$ 17,101,302	\$ 4,859,126	\$ 922,878	\$ 22,883,306	\$ 342,695
Interfund services provided and used	(4,515,668)	(1,539,706)	(580,053)	(6,635,427)	5,707,060
Gasoline tax refund	-	-	-	-	30,577
Cash payments to suppliers	(9,099,506)	(1,356,718)	(188,283)	(10,644,507)	(1,770,470)
Claim payments	-	-	-	-	(1,203,938)
Cash payments to employees	(3,060,008)	(2,246,323)	(451,711)	(5,758,042)	(1,213,032)
Net cash provided (used) by operating activities	<u>426,120</u>	<u>(283,621)</u>	<u>(297,169)</u>	<u>(154,670)</u>	<u>1,892,892</u>
Cash flows from non-capital financing activities:					
Repayments on interfund loans	(412,009)	(63,269)	(19,106)	(494,384)	150,702
Interfund payables	-	(40,872)	(4,742)	(45,614)	(1,806)
Due to other funds	-	-	454,721	454,721	-
Due to other government units	60,469	-	-	60,469	-
Transfers	67,978	369,232	9,497	446,707	(816,026)
Grant proceeds	-	21,918	54,890	76,808	-
Net cash provided (used) by non-capital financing activities	<u>(283,562)</u>	<u>287,009</u>	<u>495,260</u>	<u>498,707</u>	<u>(667,130)</u>
Cash flows from capital and related financing activities:					
Capital contributions	356,693	-	-	356,693	-
Purchase of capital assets	(1,007,732)	(299,540)	(568,505)	(1,875,777)	(941,757)
Principal payments - bonds	(465,000)	-	(185,000)	(650,000)	-
Principal payments received - capital leases	238,584	-	-	238,584	-
Proceeds from sale of capital assets	10,350	-	-	10,350	61,715
Grant proceeds	255,211	-	-	255,211	-
Interest paid	(186,461)	-	(269,721)	(456,182)	-
Net cash used by capital and related financing activities	<u>(798,355)</u>	<u>(299,540)</u>	<u>(1,023,226)</u>	<u>(2,121,121)</u>	<u>(880,042)</u>
Cash flows from investing activities:					
Proceeds from sale of investments	2,497,433	-	567,000	3,064,433	800,000
Purchase of investments	(1,952,682)	-	(114,748)	(2,067,430)	(2,300,000)
Interest received	134,228	-	114,979	249,207	85,388
Net cash provided (used) by investing activities	<u>678,979</u>	<u>-</u>	<u>567,231</u>	<u>1,246,210</u>	<u>(1,414,612)</u>
Net increase (decrease) in cash and cash equivalents	23,182	(296,152)	(257,904)	(530,874)	(1,068,892)
Cash and cash equivalents, beginning (including water and sewer restricted cash of \$2,647,481)	<u>3,240,544</u>	<u>730,553</u>	<u>379,959</u>	<u>4,351,056</u>	<u>3,565,595</u>
Cash and cash equivalents, ending (including water and sewer restricted cash of \$3,161,962)	<u>\$ 3,263,726</u>	<u>\$ 434,401</u>	<u>\$ 122,055</u>	<u>\$ 3,820,182</u>	<u>\$ 2,496,703</u>

See notes to basic financial statements.

(Continued)

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	<u>Water and Sewer Utility</u>	<u>Solid Waste Services</u>	<u>Stormwater Utility</u>	<u>Totals</u>	
Reconciliation of operating loss to net cash provided (used) by operating activities:					
Operating loss	<u>\$ (1,546,962)</u>	<u>\$ (489,831)</u>	<u>\$ (321,144)</u>	<u>\$ (2,357,937)</u>	<u>\$ (761,709)</u>
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:					
Depreciation	1,163,773	6,104	37,546	1,207,423	1,083,205
Other income	109,612	2,198	336	112,146	357,180
Changes in operating assets and liabilities:					
(Increase) decrease in:					
Customer accounts receivable	148,705	(80,460)	(8,615)	59,630	-
Customer unbilled accounts receivable	478,294	133,483	16,416	628,193	-
Miscellaneous receivables	67,183	2,140	(1,664)	67,659	(1,673)
Inventories	85,631	-	-	85,631	11,951
Due from other funds	(62,999)	-	-	(62,999)	166,262
Interfund receivables	-	-	-	-	723,865
Other assets	-	-	(101)	(101)	(10,421)
Increase (decrease) in:					
Accounts payable	41,143	120,773	(17,895)	144,021	(23,659)
Estimated claims payable	-	-	-	-	64,062
Compensated absences	61,210	87,702	16,432	165,344	32,263
Interfund payables	(171,329)	(69,131)	(20,276)	(260,736)	-
Accrued liabilities	7,817	-	1,970	9,787	1,739
Accrued payroll deductions	6,477	8,306	1,249	16,032	743
Due to other funds	(35,800)	(4,905)	(1,423)	(42,128)	249,084
Customer deposits	73,365	-	-	73,365	-
Total adjustments	<u>1,973,082</u>	<u>206,210</u>	<u>23,975</u>	<u>2,203,267</u>	<u>2,654,601</u>
Net cash provided (used) by operating activities	<u>\$ 426,120</u>	<u>\$ (283,621)</u>	<u>\$ (297,169)</u>	<u>\$ (154,670)</u>	<u>\$ 1,892,892</u>

Non-cash investing, capital and financing activities:

During 2003, the Water and Sewer Utility Fund received contributed assets from developers valued at \$216,210.

Note: All short-term investments are reported at cost, which approximates fair value, therefore, there is no change in fair value of investments.

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

SEPTEMBER 30, 2003

ASSETS

Cash and short-term investments	\$ 2,357,619
Investments, at fair value:	
U.S. Treasury bonds and notes	7,201,963
U.S. Agency obligations	6,186,450
Municipal bonds	20,686
Corporate bonds	12,409,841
Common stock	40,225,077
Total investments	<u>66,044,017</u>
Receivables:	
Plan member contributions	40,987
Miami-Dade County	33,052
CNM Police Share Plan	76,169
Receivable from broker on investments sold	114,876
Accrued interest	295,380
Accrued dividends	39,142
Total receivables	<u>599,606</u>
Total assets	<u>69,001,242</u>

LIABILITIES AND NET ASSETS

Accounts payable	63,608
Benefits payable	2,174
Payable to broker for investments purchased	88,304
Total liabilities	<u>154,086</u>
Net assets held in trust for pension benefits	<u>\$ 68,847,156</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

ADDITIONS

Contributions:

Employer	\$ 1,362,775
Plan members	1,556,515
County	54,953
Other	<u>17,945</u>
Total contributions	<u>2,992,188</u>

Investment income:

Net appreciation in fair value of investments	6,394,955
Interest	1,426,364
Dividends	<u>688,887</u>

8,510,206

Less investment expenses	<u>383,739</u>
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Net investment income	<u>8,126,467</u>
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Total additions	<u>11,118,655</u>
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DEDUCTIONS

Benefits paid directly to participants:

Disability retirement	162,439
Death benefit	46,618
Normal retirement	2,110,341
Lump sum retirement	5,263,072
Refunds of contributions	<u>193,416</u>
	<u>7,775,886</u>

Administrative expenses	<u>200,792</u>
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Total deductions	<u>7,976,678</u>
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Net increase in net assets	3,141,977
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Net assets, beginning	<u>65,705,179</u>
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Net assets, ending	<u>\$ 68,847,156</u>
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See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Miami, Florida (the City), located in Miami-Dade County, was incorporated in 1926. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, public works, solid waste, stormwater management, culture and recreation including library services, community planning and development and water and sewer utility.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In fiscal year 2002, the City *early* implemented the new financial reporting requirements of GASB Statement No. 34 resulting in an entirely new financial presentation format. The City has elected to defer the infrastructure reporting related to governmental activities. The more significant of the City's accounting policies are described below:

A. Financial Reporting Entity

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units. The City's discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

The Museum of Contemporary Art, Inc. (MoCA) is a not-for-profit corporation. The City Council has the ability to remove members of the governing board of MoCA for cause. Additionally, MoCA is fiscally dependent on the City. MoCA is presented in a separate column as a governmental fund type in the government-wide financial statements. Complete financial statements for MoCA can be obtained directly from their administrative offices: Museum of Contemporary Art, Inc., 770 N.E. 125th Street, North Miami, Florida 33161.

Other Component Unit

The City of North Miami Health Facilities Authority was created pursuant to state statute to issue special obligation debt for capital improvements on certain health facilities located within and outside the City limits. The debt is supported solely from revenues generated

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Other Component Unit (Continued)

by said facilities and does not constitute an obligation of the City or the Authority. The Authority receives no revenues and makes no disbursements. Because there are no assets, liabilities or results of operations to report, no disclosure other than this description is made. The North Miami Health Facilities Authority is a component unit because the sole activity in which it engages, i.e., the issuance of revenue bonds to finance health care facilities, is subject in each instance to the approval of the City Council. In addition, the City Council is responsible for appointing the members of the Board of the Authority.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from its legally separate component unit (MoCA) for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The City does not currently employ an indirect cost allocation system.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees and other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Water and Sewer Utility Fund* accounts for the costs of providing water treatment and distribution service, and sewage treatment to all areas within the City limits and certain districts outside the City limits.

The *Solid Waste Services Fund* accounts for the City's sanitation operations inclusive of garbage, trash and recycling. Additionally, it includes animal control, graffiti control and sanitation code enforcement.

The *Stormwater Utility Fund* accounts for improvements to the City's stormwater systems and pollution from stormwater runoff.

Additionally, the City reports the following fund types:

Internal Service Funds account for the cost of insuring the City in the areas of workers' compensation and general liability risks, group health and life benefits and to provide fleet management services to other departments on a cost reimbursement basis.

The *Pension Trust Funds* (CTS Plan and 748 Plan) are used to account for the City's two single-employer defined benefit pension plans covering substantially all of its employees.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's various utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes with the exception of local option fuel taxes and the half-cent transportation surtax. Proceeds from these taxes are used to fund transportation related expenditures and therefore are reported as *program revenues* under the function "highways and streets".

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste services and stormwater utility funds and of the City's internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents include cash on hand, time and demand deposits, and short-term investments consisting primarily of a collateralized interest on public funds checking account and investments with the State Board Investment Pool. The City also invests in obligations of the U.S. Treasury, consisting primarily of government agency bonds.

Resources of all funds, with the exception of the pension trust funds and certain other cash and investment accounts, which are maintained in accordance with legal requirements, have been combined into a pooled cash and investment system for the purpose of maximizing earnings. Interest earned on pooled cash and investments is allocated based upon equity balances of the respective funds.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

1. Deposits and Investments (Continued)

All investments, except the State Board Investment Pool, are reported at fair value. The Investment Pool is recorded at its value of the pool shares (2a-7 like pool), which is fair value.

The nature of investments is governed by the provisions of Florida Statutes Section 218. Under this statute, authorized investments are limited, unless otherwise authorized by law or ordinance, to the Local Government Surplus Funds Trust Fund, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds (i.e., amounts owed for goods/services rendered to a particular fund by another fund in the reporting entity) are reported as “due to/from other funds” (current portion) or “interfund receivables/payables” (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Inventories

Inventories of materials and supplies in the General Fund are recorded as expenditures when purchased (purchase method) and are stated at cost. Inventory in the Proprietary Funds consists of supplies held for consumption and are stated at the lower of cost or market and are recorded as an expense when consumed (consumption method). All inventories are recorded on a first-in, first-out (FIFO) basis.

4. Restricted Assets

In 1963, 1964, and 1965, the City issued water and sewer revenue refunding and improvement bonds to make improvements and extensions to the Water and Sewer Utility of the City and to refund certain then outstanding revenue bonds. The 1963 bonds matured on February 1, 2003 and were paid. The ordinances require that certain resources be set aside for interest and principal repayment on these bonds and to maintain an aggregate balance equal to the maximum amount of principal and interest coming due in any succeeding year for all issues outstanding. These balances were

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Restricted Assets (Continued)

maintained during fiscal year 2003, in accordance with applicable bonds covenants, and are classified as restricted assets. In addition, the water and sewer ordinances require that certain funds be established and specifies the order in which pledged proceeds are to be deposited into these funds. Accordingly, the Water and Sewer Renewal and Replacement Fund was established to set aside resources for capital expenditures related to renewal and replacement of the City's water and sewer utility. In November 2001, the City entered into a loan agreement with the Florida Municipal Loan Council to finance the cost of certain stormwater capital improvement projects. The loan proceeds are classified as restricted assets on the statement of net assets, they are maintained in a separate bank account and their use is restricted for specific stormwater capital improvement projects.

5. Capital Assets

Capital assets, which include property, plant and equipment, and certain infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The retroactive reporting of infrastructure for governmental activities is being deferred to a later date. Only the current additions to infrastructure of governmental activities, for which no depreciation is computed in the year of acquisition, are being reported at this time. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No such costs were capitalized in 2003.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Utility Plant, Buildings and improvements	10-50
Machinery and equipment	3-10
Infrastructure	5-50
Library books	5

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Compensated Absences

It is the City's policy to permit employees to accumulate, within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from City service. All vacation and sick leave pay is accrued when incurred in the government-wide, and proprietary fund financial statements. In the governmental funds, a liability is recorded only for vacation and sick leave payouts for employee separations occurring within 60 days subsequent to the year-end.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. The results of using this method do not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In addition, the difference between the reacquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred amount is offset against the new liability.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Material estimates that are particularly susceptible to significant change in the near term relate to 1) the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. and 2) the estimated liability for remediation and closure of the former Munisport site. Although these estimates as well as all estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, where noted, represent tentative management plans that are subject to change.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2003, the carrying amount of the City's deposits was \$13,150,572. These deposits consisted of \$2,934,329 in time and demand deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name, and \$10,216,243 in a collateralized interest on public funds checking account. The funds held in a collateralized interest on public funds checking account are classified as credit risk category 3 as defined by GASB Statement No. 3 (collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

All time and demand deposits are insured through the Federal Depository Insurance Corporation and are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires every qualified public depository to deposit with the Treasurer eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration Investment Pool (SBA). The State Board of Administration is part of the Florida Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Florida Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Florida Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund. In accordance with GASB Statement No. 31, the SBA has reported that the Local Government Surplus Funds Trust Fund is a "2a-7 like" pool and, therefore, these investments are valued using the pooled share price. The pension trust funds are also authorized to invest in common stocks, corporate bonds rated "BBB" or better by Standard & Poor Corporation or "Baa" or better by Moody's bond ratings.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Certain investments are required to be categorized to give an indication of the level of credit risk assumed by the entity at year-end. The three categories of risk as defined by GASB Statement No. 3 are as follows:

- (1) Insured or registered, or securities held by the City or its agent in the City 's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City 's name; and
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

	<u>Category 1</u>	<u>Fair Value</u>
U.S. Government securities	\$ 16,138,413	\$ 16,138,413
Municipal bonds	20,686	20,686
Corporate bonds	12,409,841	12,409,841
Common stocks	40,225,077	40,225,077
	<u>\$ 68,794,017</u>	<u>68,794,017</u>
Investments not subject to risk categorization:		
Money market mutual fund		2,434,040
Bond mutual funds		5,387,592
Local Government Surplus Funds Trust Fund (SBA)		<u>6,100,000</u>
Total investments		<u>\$ 82,715,649</u>

A reconciliation of cash and investments as shown on the statement of net assets is as follows:

Deposits (including cash and certificates of deposit)	\$ 13,150,572
Investments	<u>82,715,649</u>
Total deposits and investments	95,866,221
Other cash equivalents	<u>48,256</u>
Total cash, cash equivalents and investments	<u>\$ 95,914,477</u>
Cash and cash equivalents, primary government	\$ 7,110,183
Restricted assets-cash and cash equivalents, investments,	
primary government	11,052,658
Investments, primary government	<u>9,350,000</u>
Total, primary government	<u>27,512,841</u>
Pooled cash and cash equivalents, fiduciary funds	2,357,619
Investments, fiduciary funds	<u>66,044,017</u>
Total, fiduciary funds	<u>68,401,636</u>
Grand total	<u>\$ 95,914,477</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. RECEIVABLES

Receivables as of September 30, 2003 for the City's individual major fund, nonmajor funds, internal service funds and fiduciary funds in the aggregate, including the allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Solid Waste	Storm- water	Nonmajor and Other Funds	Total
Receivables:						
Customer's account						
Billed	\$ -	\$ 1,207,749	\$ 382,265	\$ 81,902	\$ -	\$ 1,671,916
Unbilled	-	1,638,168	144,740	13,144	-	1,796,052
Property taxes	190,856	-	-	-	5,903	196,759
Franchise and utility	690,307	-	-	-	-	690,307
Communication service tax	276,227	-	-	-	-	276,227
Intergovernmental	371,873	-	-	363,080	1,363,785	2,098,738
Notes	-	-	-	-	190,847	190,847
Other	<u>167,825</u>	<u>225,474</u>	<u>10,845</u>	<u>-</u>	<u>594,359</u>	<u>998,503</u>
Gross receivables	1,697,088	3,071,391	537,850	458,126	2,154,894	7,919,349
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 1,697,088</u>	<u>\$ 3,071,391</u>	<u>\$ 537,850</u>	<u>\$ 458,126</u>	<u>\$ 2,154,894</u>	<u>\$ 7,919,349</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Franchise fee	\$ -	\$ 7,658
Occupational licenses	-	298,207
Interest rate swap proceeds	-	1,796,810
Notes receivable	190,847	-
Administrative fee	24,929	-
Miscellaneous revenues (not yet due)	<u>-</u>	<u>13,640</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 215,776</u>	<u>\$ 2,116,315</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. PROPERTY TAXES

Property taxes are levied on November 1st of each year, at which time taxes become an enforceable lien on property assessed as of the previous January 1st. Tax bills are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available in the month of March of the following calendar year. Taxpayers also have the option of paying their taxes in advance in equal quarterly payments based on the prior year's tax assessment with quarterly discounts varying between 2% and 6%. All unpaid taxes on real and personal property become delinquent on April 1st and bear annual interest at 18% until a tax sale certificate is sold at auction. Miami-Dade County bills and collects all property taxes for the City, and sells tax certificates for delinquent taxes.

The net assessed value of property, as established by the Miami-Dade County Property Appraiser, at January 1, 2002 upon which the 2002-03 levy was based, was approximately \$1.5 billion. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on general obligation long-term debt. In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. For the year ended September 30, 2003, the tax rate to finance General Fund operations was \$8.500 per \$1,000 of assessed value. The debt service tax rate for the same period was \$0.2710 per \$1,000 of assessed value.

Property taxes receivable representing collections within 60 days subsequent to September 30 for billings through the fiscal year then ended amounted to approximately \$190,856 for the General Fund and \$5,903 for the debt service funds.

NOTE 5. NET INVESTMENT IN SALES-TYPE LEASE

On April 17, 1979, the City entered into a sales-type lease agreement with Miami-Dade Water and Sewer Authority retroactive to May 1978. Under the terms of the lease, the City is receiving payments, which will total \$7,071,438 (including interest) through April 2007, for the use of the City's ocean outfall line.

The lease has been accounted for as a capital (sales-type) lease within the Water and Sewer Enterprise Fund. Interest is imputed at an annual rate of 6.5% over the life of the lease. Proceeds received from the lease agreement are to be used for replacement of water and sewer system assets or paid into the Revolving Fund in accordance with the provisions of the Water and Sewer Revenue Bond ordinances.

The future minimum lease payments under this agreement are as follows:

Year ending September 30:	
2004	\$ 238,584
2005	238,584
2006	238,584
2007	<u>122,925</u>
Total	838,677
Less unearned discount	<u>(90,973)</u>
Balance, September 30, 2003	<u>\$ 747,704</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to other funds:		
General	Solid Waste Services	\$ 490,697
	Nonmajor governmental	1,024,138
	Internal Service	186,085
Water & Sewer	Stormwater Utility	454,721
	Internal Service	62,999
Internal Service	General Fund	75,682
	Water and Sewer	51,830
	Solid Waste Services	69,639
	Stormwater Utility	8,904
	Internal Service	5,954
		<u>\$ 2,430,649</u>
<u>Interfund receivable/payable:</u>		
Internal Service	General Fund	\$ 252,207
	Water and Sewer	168,873
	Solid Waste Services	165,636
	Stormwater Utility	11,543
	Internal Service	20,200
		<u>\$ 618,459</u>
<u>Advances from/to other funds:</u>		
Internal Service	General Fund	\$ 30,529
	Nonmajor governmental	76,159
	Solid Waste Services	87,386
	Stormwater Utility	114,633
Water and Sewer	Solid Waste Services	256,774
		<u>\$ 565,481</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers:

	Transfers In						
	General Fund	Non Major	Solid Waste	Storm water	Water and Sewer	Internal Service	Total
Transfers out:							
General fund	\$ -	\$ 681,110	\$ 315,000	\$ -	\$ -	\$ -	\$ 996,110
Nonmajor funds	1,660,189	39,030	162,750	28,500	204,000	383,250	2,477,719
Water and sewer	-	136,022	-	-	-	-	136,022
Solid waste	-	108,518	-	-	-	-	108,518
Stormwater	-	19,003	-	-	-	-	19,003
Internal service	<u>1,143,767</u>	<u>55,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,199,275</u>
Total transfers out	<u>\$2,803,956</u>	<u>\$1,039,191</u>	<u>\$477,750</u>	<u>\$28,500</u>	<u>\$204,000</u>	<u>\$383,250</u>	4,936,647

Transfer in of general capital assets:

To internal service funds from existing capital assets	<u>42,024</u>
Total transfers in	<u>\$4,978,671</u>

In the fund financial statements, total transfers in of \$4,978,671 are greater than total transfers out of \$4,936,647 because of the treatment of transfers of capital assets to the internal service fund. During the year existing capital assets related to governmental funds, with a book value of \$42,024, were transferred to internal service funds. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the internal service funds did report a transfer in for the capital resources received.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2003 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 25,275,566	\$ 75,532	\$ -	\$ 25,351,098
Construction in progress	<u>1,334</u>	<u>-</u>	<u>(1,334)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>25,276,900</u>	<u>75,532</u>	<u>(1,334)</u>	<u>25,351,098</u>
Capital assets, being depreciated:				
Buildings and improvements	21,902,780	150,835	(10,047)	22,043,568
Infrastructure*	1,597,819	816,574	(123,541)	2,290,852
Machinery and equipment	17,132,697	1,350,265	(2,345,118)	16,137,844
Library books	<u>1,801,873</u>	<u>147,946</u>	<u>(139,682)</u>	<u>1,810,137</u>
Total capital assets, being depreciated	<u>42,435,169</u>	<u>2,465,620</u>	<u>(2,618,388)</u>	<u>42,282,401</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities (Continued):				
Less accumulated depreciation for:				
Buildings and improvements	(4,781,765)	(460,062)	4,183	(5,237,644)
Infrastructure*	-	(39,442)	-	(39,442)
Machinery and equipment	(11,803,058)	(1,498,966)	2,315,292	(10,986,732)
Library books	(1,459,290)	(148,159)	139,681	(1,467,768)
Total accumulated depreciation	<u>(18,044,113)</u>	<u>(2,146,629)</u>	<u>2,459,156</u>	<u>(17,731,586)</u>
Total capital assets, being depreciated, net	<u>24,391,056</u>	<u>318,991</u>	<u>(159,232)</u>	<u>24,550,815</u>
Governmental activities capital assets, net	<u>\$ 49,667,956</u>	<u>\$ 394,523</u>	<u>\$ (160,566)</u>	<u>\$ 49,901,913</u>
 (1) Beginning				
	Balance, <u>Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 701,432	\$ -	\$ -	\$ 701,432
Construction in progress	<u>125,920</u>	<u>-</u>	<u>(125,920)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>827,352</u>	<u>-</u>	<u>(125,920)</u>	<u>701,432</u>
Capital assets, being depreciated:				
Buildings/utility plant and improvements	3,037,879	443,992	-	3,481,871
Infrastructure	38,284,494	1,078,553	-	39,363,047
Machinery and equipment	<u>4,554,600</u>	<u>743,701</u>	<u>(302,613)</u>	<u>4,995,688</u>
Total capital assets, being depreciated	<u>45,876,973</u>	<u>2,266,246</u>	<u>(302,613)</u>	<u>47,840,606</u>
Less accumulated depreciation for:				
Buildings/utility plant and improvements	(1,700,758)	(69,049)	-	(1,769,807)
Infrastructure	(17,631,738)	(885,865)	-	(18,517,603)
Machinery and equipment	<u>(3,091,420)</u>	<u>(252,509)</u>	<u>292,776</u>	<u>(3,051,153)</u>
Total accumulated depreciation	<u>(22,423,916)</u>	<u>(1,207,423)</u>	<u>292,776</u>	<u>(23,338,563)</u>
Total capital assets, being depreciated, net	<u>23,453,057</u>	<u>1,058,823</u>	<u>(9,837)</u>	<u>24,502,043</u>
Business-type activities capital assets, net	<u>\$ 24,280,409</u>	<u>\$ 1,058,823</u>	<u>\$ (135,757)</u>	<u>\$ 25,203,475</u>

(1) See Note 15

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. CAPITAL ASSETS (Continued)

Primary Government (Continued)

Depreciation expense was charged as functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 183,134
Public safety	368,946
Highways and streets	40,916
Public works	14,089
Community planning and development	18,405
Physical environment	15,281
Culture and recreation	<u>422,653</u>
Subtotal	1,063,424
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>1,083,205</u>
Total depreciation expense – governmental activities	<u>\$ 2,146,629</u>

Business-type activities:

Water and sewer	\$ 1,163,773
Solid waste	6,104
Stormwater	<u>37,546</u>
Total depreciation expense – business-type activities	<u>\$ 1,207,423</u>

*The retroactive reporting of infrastructure for governmental activities is being deferred to a later date. Only the current additions, for which no depreciation is computed in year of acquisition, are being reported at this time.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2003:

	(1) Beginning Balance, Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and note payable:					
FMLC loan (general obligation)	\$ 3,335,000	\$ -	\$ (275,000)	\$ 3,060,000	\$ 280,000
Pension obligation bonds 1997	11,755,000	-	(11,755,000)	-	-
Pension obligation bonds-Series 2002	-	14,735,000	(100,000)	14,635,000	160,000
Note payable	2,679,863	600,000	(973,103)	2,306,760	979,109
Unamortized bond premiums/ discount and deferred amount on refunding	(147,641)	(2,694,854)	270,911	(2,571,584)	-
Total bonds and note payable	<u>17,622,222</u>	<u>12,640,146</u>	<u>(12,832,192)</u>	<u>17,430,176</u>	<u>1,419,109</u>
Other liabilities:					
Compensated absences	6,106,624	744,469	(786,316)	6,064,777	96,489
Landfill closure	11,700,000	19,300,000	-	31,000,000	666,000
Claims payable (risk)	<u>4,671,119</u>	<u>1,268,000</u>	<u>(1,203,938)</u>	<u>4,735,181</u>	<u>-</u>
Total other liabilities	<u>22,477,743</u>	<u>21,312,469</u>	<u>(1,990,254)</u>	<u>41,799,958</u>	<u>762,489</u>
Governmental activities long-term liabilities	<u>\$40,099,965</u>	<u>\$33,952,615</u>	<u>\$ (14,822,446)</u>	<u>\$59,230,134</u>	<u>\$ 2,181,598</u>

- (1) The beginning balance has been restated to include a prior period adjustment of an estimated liability of approximately \$11.7 million for remediation and final closure of the Interama land tract (see Note 15).

Bonds and Note Payable

General Obligation Bonds/Loan

On May 1, 2002, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$3,335,000 with interest rates on the loan ranging from 3.25% to 5.0%. The purpose of the loan was to currently refund \$3,265,000 of outstanding 1992 General Obligation bonds with interest rates ranging from 5.4% to 6.0%. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2002A). Principal and interest due on the loan constitute a general obligation refunding bond, as defined in Section 132.34, Florida Statutes.

The reacquisition price of the refunding debt exceeded the net carrying value of the old debt by \$90,028. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to the life of the refunded debt.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

General Obligation Bonds/Loan (Continued)

As a result of the current refunding, the City reduced its total debt service requirements by approximately, \$233,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$192,000.

Principal and interest on the new debt is payable May 1, 2003 through May 1, 2012.

Debt Service Requirements to Maturity

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FMLC Loan- (Series 2002A) General Obligation			
Fiscal year ended September 30:			
2004	\$ 280,000	\$ 132,237	\$ 412,237
2005	290,000	121,737	411,737
2006	310,000	107,238	417,238
2007	325,000	91,738	416,738
2008	340,000	78,738	418,738
2009-2012	<u>1,515,000</u>	<u>172,862</u>	<u>1,687,862</u>
	3,060,000	704,550	3,764,550
Unamortized premium	68,207	-	68,207
Deferred amount on refunding	<u>(77,274)</u>	<u>-</u>	<u>(77,274)</u>
Total	<u>\$ 3,050,933</u>	<u>\$ 704,550</u>	<u>\$ 3,755,483</u>

Pension Obligation Bonds

On October 31, 2002, the City issued \$14,735,000 in Taxable Special Obligation Refunding Bonds Series 2002 (variable rate demand bonds) for the purpose of advance refunding \$11,755,000 of outstanding Taxable Special Obligation Bonds (Pension Funding Project) Series 1997 with interest rates ranging from 6.6% to 7.35%. After payment of approximately \$422,662 in underwriting fees, insurance, and other issuance costs, the net bond proceeds of approximately \$14,312,338 were used to purchase government securities, which were placed in an irrevocable trust with an escrow agent.

The refunded bonds maturing on or before July 1, 2007 will be paid at maturity and the refunded bonds maturing on or after January 1, 2008, will be called for redemption on July 1, 2007. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$2,694,854. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. Simultaneously, the variable rate bonds were converted to a fixed rate through an interest rate swap. As a result of the advance refunding the City incurred an economic loss of approximately \$(2.7 million), which was offset by approximately \$1.9 million in swap proceeds resulting in a net present value loss of approximately \$(800,000). The transaction provided up front

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

Pension Obligation Bonds (Continued)

monies, extended the final maturity on the debt while maintaining the annual debt service payments under \$1.2 million (the maximum annual debt service on the refunded Series 1997 bonds).

Debt service on these bonds is funded by non-ad valorem revenues budgeted and appropriated by the City on an annual basis. The scheduled payment of principal and interest on the bonds is guaranteed under an insurance policy obtained concurrently with the delivery of the bonds.

Principal and interest on the new debt is payable July 1, 2003 through July 1, 2032.

Interest Rate Swap

Objective: As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, in October 2002, the City entered into an interest rate swap in connection with its \$14.735 million Series 2002 Taxable Special Obligation Refunding Bond issuance. The intention of the swap is to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 6.85%.

Terms: Based on the swap agreement, the City pays a synthetic fixed rate of 6.85% to the counterparty to the swap (Bank of America, N.A.) and receives a variable rate payment based on the interest rate applicable to the City's Series 2002 Taxable Special Obligation Bonds during each remarketing period. The bond's variable-rate coupons are based on the London Interbank Offering Exchange Rate (LIBOR). Only the net difference in interest payments is actually exchanged with the counterparty on a monthly basis. Additionally, the City received an upfront cash payment of \$1,854,100 from the counterparty to the swap. The bonds and the related swap agreement mature on July 1, 2032 and the swap's notional amount of \$14.735 million matches the \$14.735 million variable rate bonds. As of September 30, 2003, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	6.85%
Variable payment from counterparty	LIBOR	<u>-1.15%</u>
Net interest rate swap payments		5.70%
Variable-rate bond coupon payments		<u>1.15%</u>
Synthetic interest rate on bonds		<u>6.85%</u>

Fair value: As of September 30, 2003, the swap had a negative fair value of \$(3,369,432). The negative fair value was determined using Market-to-Market Value and represents mid-market values.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

Interest Rate Swap (Continued)

Credit risk: As of September 30, 2003, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty (Bank of America, N.A.) was rated Aa1 by Moody's Investors Service, AA by Standard and Poor's and AA- by Fitch Ratings.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event". That is, the swap agreement may be terminated by the counterparty if (i) the Covered Indenture terminates or ceases to be of full force and effect; or (ii) if the City fails to budget and appropriate from Non-Ad Valorem funds amounts sufficient to satisfy any amounts due the counterparty under the agreement in any fiscal year. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Market access risk: In conjunction with the swap, the City purchased a renewable letter of credit. Expected cost savings related to the swap may not be realized if the credit becomes more costly or cannot be obtained after the original letter of credit expires.

Swap payments and associated debt: Using rates as of September 30, 2003, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows: As rates vary, variable-rate bond interest payments and net swap payments will vary.

Debt Service Requirements to Maturity and Net Swap Payments

2002 Taxable Special Obligation Refunding Bonds (Pension)

	<u>Variable Rate Bonds</u>		(1) Interest Rate	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
Fiscal year ending September 30:				
2004	\$ 160,000	\$ 167,843	\$ 873,540	\$ 1,201,383
2005	170,000	165,974	863,659	1,199,633
2006	175,000	164,004	853,449	1,192,453
2007	190,000	161,949	842,747	1,194,696
2008	205,000	159,721	831,258	1,195,979
2009-2013	1,295,000	758,382	3,946,403	5,999,785
2014-2018	1,855,000	670,292	3,487,888	6,013,180
2019-2023	2,640,000	544,640	2,833,810	6,018,450
2024-2028	3,785,000	364,996	1,898,708	6,048,704
2029-2032	<u>4,160,000</u>	<u>111,952</u>	<u>581,693</u>	<u>4,853,645</u>
	14,635,000	3,269,753	17,013,155	34,917,908
Deferred amount on refunding	<u>(2,562,517)</u>	<u>-</u>	<u>-</u>	<u>(2,562,517)</u>
Total	<u>\$12,072,483</u>	<u>\$ 3,269,753</u>	<u>\$17,013,155</u>	<u>\$32,355,391</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

Debt Service Requirements to Maturity and Net Swap Payments (Continued)

(1) Computed: (6.85%-1.15%) times notional amount outstanding. Includes liquidity and remarketing fees.

Note Payable

On August 23, 2000, the City issued a promissory note (Series 2000A) in the principal amount of not to exceed \$9,500,000 to finance the cost of environmental remediation at, and closure of, the City's Munisport landfill site (Interama). Under the loan agreement, the City will draw funds as needed and will pay interest on the outstanding principal. Interest rates are variable and are 78% of the LIBOR rate. As of September 30, 2003, the City has received, pursuant to the note, the sum of \$4,200,000. As of September 30, 2003 the principal amount outstanding on the note is \$2,306,760.

Debt Service Requirement to Maturity

	Principal	Interest	Total
<u>Notes Payable-(Series 2000A)</u>			
Fiscal year ended September 30:			
2004	\$ 979,109	\$ 20,891	\$ 1,000,000
2005	1,000,000	-	1,000,000
2006	327,651	-	327,651
	<u>\$ 2,306,760</u>	<u>\$ 20,891</u>	<u>\$ 2,327,651</u>

Other Liabilities

Compensated Absences

Compensated absences represent the portion of the applicable funds total estimated liability for employees' compensation for future absences in accordance with GASB Statement No. 16. The estimated liability includes an accrual for salary related costs (employer's share of social security and Medicare taxes). Adjustments were made for employees earning more than the taxable wage base and for certain other exclusions.

The estimated liability is measured using rates in effect at the balance sheet date; benefits are computed at current salary rates at the time of payment. Upon separation from City service, vacation leave is paid at 100% and sick leave is paid at 50%. The General Fund has primarily been used in prior years to liquidate the liability for compensated absences.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

The following is a summary of changes in long-term liabilities of the City for business-type activities for the year ended September 30, 2003:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year (1)
Business-type Activities					
Bonds and loan payable:					
Water and sewer bonds	\$ 4,905,000	\$ -	\$ (465,000)	\$ 4,440,000	\$ 2,570,000
FMLC loan (stormwater)	5,545,000	-	(185,000)	5,360,000	180,000
Unamortized bond premiums and discount	<u>242,741</u>	<u>3,303</u>	<u>(13,298)</u>	<u>232,746</u>	<u>-</u>
Total bonds and loan payable	10,692,741	3,303	(663,298)	10,032,746	2,750,000
Other liabilities:					
Compensated absences	<u>1,347,412</u>	<u>224,319</u>	<u>(58,975)</u>	<u>1,512,756</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 12,040,153</u>	<u>\$ 227,622</u>	<u>\$ (722,273)</u>	<u>\$ 11,545,502</u>	<u>\$ 2,750,000</u>

(1) The current portion of the liability for Water and Sewer Bonds of \$2,570,000 is included on the Statement of Net Assets as liabilities payable from restricted assets.

Bonds and Loan Payable

Water and Sewer Revenue Bonds

In 1963, 1964, and 1965, the City issued \$8,000,000, \$4,850,000 and \$3,300,000, respectively, of Water and Sewer Revenue Refunding and Improvement Bonds to make improvements and extensions to the Water and Sewer Utility of the City and to refund certain then outstanding revenue bonds. The 1963 bonds matured on February 1, 2003 and were paid.

The ordinances require a monthly transfer to restricted asset accounts of amounts equal to one-sixth of the interest becoming due on the next interest payment date and one-twelfth of the amount of principal due on the next payment date. The ordinances also require that the restricted assets include an aggregate balance equal to the maximum amount of principal and interest becoming due in any succeeding year for all issues outstanding. These balances were maintained during fiscal year 2003 in accordance with these requirements.

The ordinances also require that certain funds be established and specify the order in which pledged proceeds are to be deposited into these funds. These funds, and the order of priority in which proceeds are deposited, are as follows: Revenue Fund, Operation and Maintenance Fund, Sinking Funds and Renewal and Replacement Fund.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Loan Payable (Continued)

Water and Sewer Revenue Bonds (Continued)

Cash, investments and accrued interest receivable in the various sinking funds are classified as restricted assets, amounts payable from restricted assets and net assets restricted for retirement of revenue bonds.

The sinking funds recorded in the Water and Sewer Utility Enterprise fund at September 30, 2003, are as follows:

	Restricted <u>Assets</u>	Payable from Restricted <u>Assets</u>	Restricted Assets, <u>Net</u>
1963 issue - revenue refunding and improvement bonds	\$ 25,390	\$ 25,390	\$ -
1964 issue - subordinated revenue certificates	2,556,517	2,514,900	41,617
1965 issue - subordinated revenue certificates	1,968,437	95,617	1,872,820
Renewal and replacement fund	<u>1,114,722</u>	<u>206,252</u>	<u>908,470</u>
	<u>\$5,665,066</u>	<u>\$2,842,159</u>	<u>\$2,822,907</u>

Restricted assets consist of the following:

Cash and short-term investments	\$4,425,691
Cash with fiscal agents	36,271
Certificates of deposit	400,000
U.S. Government obligations	760,646
Accrued interest receivable	4,531
Other receivables	<u>37,927</u>
	<u>\$5,665,066</u>

Payables from restricted assets consist of the following:

Current bond principal	\$2,570,000
Accrued interest payable	29,637
Matured bonds and interest payable	36,270
Performance bonds and deposits	205,252
Other payables	<u>1,000</u>
	<u>\$2,842,159</u>

The ordinances restrict the issuance of additional Water and Sewer bonds ranking on parity with those outstanding, unless the net revenues, exclusive of depreciation, have been equal to 125% of the maximum annual principal and interest requirements on all revenue bonds outstanding for each of the two preceding fiscal years. While the net revenue requirements were not met in 2003 or 2002, debt service requirements have been met.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Loan Payable (Continued)

Water and Sewer Revenue Bonds (Continued)

Water and Sewer Revenue Refunding and Improvement Bonds consist of the following at September 30, 2003:

	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Final Maturity Date		
Series 1964, 2/1/2004 (\$2,500,000 due in 2004)	3.00%	\$ 2,500,000
Series 1965, 8/1/2005 (annual serial payments of \$65,000 to \$70,000 with \$1,870,000 due in 2005)	5.30%	<u>1,940,000</u>
		4,440,000
Less current portion		(2,570,000)
Less unamortized discount		<u>(6,616)</u>
Long-term portion		<u>\$ 1,863,384</u>

Debt Service Requirements to Maturity

	Principal	Interest	Total
<u>1964 Issue- Subordinated Revenue Certificates</u>			
2004	<u>\$ 2,500,000</u>	<u>\$ 37,500</u>	<u>\$ 2,537,500</u>
	<u>\$ 2,500,000</u>	<u>\$ 37,500</u>	<u>\$ 2,537,500</u>
<u>1965 Issue-Subordinated Revenue Certificates</u>			
Fiscal year ended September 30:			
2004	\$ 70,000	\$ 102,820	\$ 172,820
2005	<u>1,870,000</u>	<u>99,110</u>	<u>1,969,110</u>
	<u>\$ 1,940,000</u>	<u>\$ 201,930</u>	<u>\$ 2,141,930</u>

Stormwater Utility Loan

On November 15, 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000 with interest rates on the loan ranging from 3.25% to 5.25%. The purpose of the loan is to finance the cost of certain stormwater capital improvement projects. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2001A).

The FMLC-Series 2001A bonds were issued at a premium (104.796%) and after payment of approximately \$105,744 in underwriting fees, insurance and other issuance costs, the net loan proceeds of approximately \$5,705,214 were deposited into the Stormwater Utility Fund and are being drawn down as the project progresses. This debt is subject to arbitrage. The arbitrage rebate requirement requires issuers of tax-exempt debt to rebate to the U.S. Treasury investment income arising from proceeds of tax-exempt debt to the extent that such income results from investment yield in excess of the bond yield. As a result of continued low interest rates, at September 30, 2003, the City did not have an arbitrage liability.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Loan Payable (Continued)

Stormwater Utility Loan

Debt Service Requirements to Maturity

Principal and interest on the new debt is payable May 1, 2002 through November 1, 2021.

The Stormwater Utility FMLC Loan-Series 2001A consist of the following at September 30, 2003:

<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
FMLC Loan-Series 2001A, 11/1/2021	3.25%-5.25%	\$ 5,360,000
Less current portion		(180,000)
Unamortized Premium		<u>239,362</u>
Long-term portion		<u>\$ 5,419,362</u>

	Principal	Interest	Total
<u>FMLC Loan-2001A</u>			
Fiscal year ended September 30:			
2004	\$ 180,000	\$ 258,850	\$ 438,850
2005	185,000	252,225	437,225
2006	195,000	244,137	439,137
2007	205,000	235,138	440,138
2008	210,000	225,800	435,800
2009-2013	1,225,000	958,250	2,183,250
2014-2018	1,580,000	600,150	2,180,150
2019-2023	<u>1,580,000</u>	<u>155,763</u>	<u>1,735,763</u>
	5,360,000	2,930,313	8,290,313
Unamortized Premium	<u>239,362</u>	-	<u>239,362</u>
Total	<u>\$ 5,599,362</u>	<u>\$ 2,930,313</u>	<u>\$ 8,529,675</u>

NOTE 9. SELF-INSURANCE

The City maintains a self-insurance program within the internal service funds. The General Risk Management Fund was established by City Ordinance to account for insurance activities relating to workers' compensation and general liability risks. Charges to departments are based upon amounts determined by management to be necessary to meet the required annual payouts during the fiscal year and to maintain adequate fund reserves. The funding level and estimated claims liability for workers' compensation and general liability for fiscal year 2003 is based on recommended funding requirements for fiscal year 2003 as determined by a self-insurance actuarial review as of September 30, 2001 performed by outside consultants.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. SELF-INSURANCE (Continued)

The City is exposed to various risks of loss for workers' compensation and general liability. The City is exposed to other various risks of loss, related to theft, errors and omissions, for which the City carries commercial insurance.

As of September 30, 2003, the City's risk retention for certain types of risk is as follows:

	<u>Retention/Deductible</u>	<u>Coverage after Retention/Deductible</u>
Self-Insured:		
Workers' Compensation	Fully self-insured	-
General liability (includes automobile)	Fully self-insured	F.S. 768.28 (\$100,000/individual, \$200,000/occurrence)
Commercial Insurance:		
Property:		
Property, multi-peril	\$5,000	\$28,324,131
Boiler and machinery	\$1,000	\$50,000,000
Flood	Buildings: \$500 to \$1,000 Contents: \$500 to \$1,000 varies according to facility	Buildings: \$25,000 to \$1,000,000 Contents: \$ 5,000 to \$ 200,000 varies according to facility
Other:		
Police professional liability	\$25,000/claim No annual aggregate	\$2,000,000 each wrongful act and aggregate
Public officials' liability	\$100,000 EPLI/wrongful act	\$1,000,000/loss and aggregate.

The General Risk Management Internal Service Fund consists of the following:

Workers' Compensation

All workers' compensation costs are paid from the self-insurance fund, with all operating funds of the City assessed a charge based upon the requirements of the self-insurance fund and their relative share of the total risk. As claims are reported they are investigated by claims personnel, and an estimate of liability on a case-by-case basis is established. The estimated liabilities are periodically reviewed and revised as claims develop.

General Liability

Departments of the City are assessed for general and automobile liability coverage based upon the requirements of the self-insurance fund and their relative share of the total risk. The City has continued to purchase certain casualty insurance for which the premium is small in relation to the coverage provided. As the casualty claims are reported, they are investigated by the claims personnel and an estimate of liability on a case-by-case basis is established.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. SELF-INSURANCE (Continued)

Estimated Claims Liability

The estimated claims liability of \$4,735,181 in the General Risk Management Fund includes estimates for claims incurred but not reported (IBNR) and allocated loss adjustment expenses (ALAE). The estimates are based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the estimated claims liability are as follows:

			<u>2003</u> General Risk Total	<u>2002</u> General Risk
	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>		
Estimated claims liability at beginning of year	\$ 3,030,849	\$ 1,640,270	\$ 4,671,119	\$ 3,128,730
Current year claims and changes in estimates (including IBNR)	908,000	360,000	1,268,000	2,461,270
Claim payments	<u>(761,755)</u>	<u>(442,183)</u>	<u>(1,203,938)</u>	<u>(918,881)</u>
Estimated claims liability at end of year	<u>\$ 3,177,094</u>	<u>\$ 1,558,087</u>	<u>\$ 4,735,181</u>	<u>\$ 4,671,119</u>

In 2002, the City, through the General Risk Management Fund, assessed user funds a special premium charge to fully cover existing operating deficits. The total amount outstanding at September 30 is \$830,468. These charges are being funded over several years, and as such are recorded as interfund receivables/payables (noncurrent portion) and due to/from other funds (current portion) (see Note 6).

During 2003, the City did not renew specific excess Workers' Compensation insurance coverage for individual claims in excess of \$500,000. Bid specs have been prepared with the intent of securing coverage in mid FY04. There were no other significant reductions in insurance coverage from coverages in the prior year. During the past three years, there have been no settlements that exceeded insurance coverage.

Group Health Risk Management Internal Service Fund

Group Health

Effective January 1, 1998, the City's self-insured health program was discontinued and the City purchased a fully insured group health/dental plan. Beginning in fiscal year 2000, remaining funds in the Health Insurance Trust fund are being appropriated for the purpose of providing health insurance premiums for City employees. The appropriation of funds is being amortized over a five-year period.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS

I. Pension Plans Administered by the City of North Miami

a. Plan Descriptions

The City's Public Employee Retirement Systems (PERS) administers two single-employer defined benefit pension plans established to provide pension, disability and death benefits for its employees and beneficiaries: Clair T. Singerman Employees' Retirement System (CTS Plan) and Retirement System for Sworn Police Personnel Hired on or After January 1, 1977 (748 Plan). The CTS Plan was established by Ordinance 691 effective January 1, 1968. On January 1, 1977, the City froze future participation in the CTS Plan and established the 748 Plan by Ordinance 748 for all employees hired after that date and for all employees under the CTS Plan who elected to join the new plan. The Plans cover substantially all City employees under the administration of separate Boards of Trustees.

On April 3, 1994, the City transferred all general employees which were in the 748 Plan to the CTS Plan, thereby limiting 748 Plan participation to sworn police personnel hired after January 1, 1977. The CTS Plan covers police officers hired before January 1, 1977 and all general employees and former North Miami firefighters.

Each of the Plans issue a publicly available report that includes financial statements and required supplementary information for the Plan. These reports may be obtained by writing to: North Miami Employees' Retirement Systems, 776 N.E. 125th Street, North Miami, Florida 33161.

Contributions and Funding Policy

748 Plan

Employees contribute 6.85% of their compensation. Interest is credited annually on employees' accumulated contributions at a rate of interest determined at the discretion of the Board of Trustees. The interest rate was 2% for 2003 and 2002, respectively. Employer contributions for fiscal year ended September 30, 2003 were 6.40% of covered payroll.

CTS Plan

Employees contribute 7% of their compensation. Interest is credited annually on employees' accumulated contributions through the prior year-end. The interest rate, determined by the Board of Trustees, was 2% for 2003 and 2002, respectively. Employer contributions for fiscal year ended September 30, 2003 were 7.90% of covered payroll.

Both Plans' funding policies provide for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

b. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported as investment earnings. Realized gains and losses are determined on the basis of specific cost.

Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset of the CTS Plan for the current year is as follows:

Annual required contribution	\$ 1,085,686
Interest on net pension asset	(798,075)
Adjustment to annual required contribution	<u>1,236,160</u>
Annual pension cost	1,523,771
Contributions made	<u>1,085,686</u>
Decrease in net pension asset	(438,085)
Net pension asset, beginning of year	<u>8,867,501</u>
Net pension asset, end of year	<u>\$ 8,429,416</u>

The annual required contribution for the current year was determined as part of the October 1, 2001 actuarial valuation (using the October 1, 2002 covered payroll) and the entry age actuarial cost method for the firefighters and the aggregate actuarial cost method for the general employees and the police officers. The aggregate actuarial cost method does not identify and separately amortize the unfunded actuarial liabilities. The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) up to retirement; 7% thereafter, and (b) projected salary increases of 6% to 7% per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using the level dollar closed basis. The remaining amortization period was 5 years.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

b. Summary of Significant Accounting Policies (Continued)

Annual Pension Cost and Net Pension Asset (Continued)

The City's annual pension cost and net pension asset of the 748 Plan for the current year is as follows:

Annual required contribution	\$ 332,042
Interest on net pension asset	(47,257)
Adjustment to annual required contribution	<u>80,735</u>
Annual pension cost	365,520
Contributions made	<u>332,042</u>
Decrease in net pension asset	(33,478)
Net pension asset, beginning of year	<u>525,077</u>
Net pension asset, end of year	<u>\$ 491,599</u>

The annual required contribution for the current year was determined as part of the October 1, 2001 actuarial valuation (using the October 1, 2002 covered payroll). The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) up to retirement; 7% thereafter, and (b) projected salary increases of 4% to 9.4% per year depending on service. Both (a) and (b) include an inflation component of 4%. The actuarial value of assets was determined using the 5-year smoothed market method. The Plan uses the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities.

Clair T. Singerman Employees Retirement System			
Three-Year Trend Information (Dollar Amounts in Thousands)			
	Annual Pension	Percentage of	Net Pension
<u>Fiscal Year Ending</u>	<u>Cost (APC)</u>	<u>APC Contributed</u>	<u>Asset</u>
September 30, 2001	\$ 672	37.6%	\$ 9,268
September 30, 2002	655	38.8%	8,868
September 30, 2003	1,524	71.2%	8,429

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

b. Summary of Significant Accounting Policies (Continued)

Annual Pension Cost and Net Pension Asset (Continued)

Retirement System for Sworn Police Personnel
Hired on or After January 1, 1977
Three-Year Trend Information (Dollar Amounts in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 2001	\$ 231	97.2%	\$ 531
September 30, 2002	244	97.4%	525
September 30, 2003	366	90.8%	492

II. Pension Plan administered by the State of Florida

a. Plan Description

Effective January 2002, the City began participating in the Florida Retirement System (FRS) (Elected Officers' Class), a cost-sharing multiple employer defined benefit pension plan. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida legislature. This Plan provides retirement, disability, and death benefits to elected officials of the City of North Miami and their beneficiaries. The FRS is administered by the State of Florida. Benefits vest after six years of credited service and are computed on the basis of service credit, average final compensation, and the percentage value earned for each year of service credit. The percentage value for service in the Elected Officers' Class is 3% per year of service. FRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. Copies of the report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

Contributions and Funding Policy

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial cost method. If an unfunded actuarial liability reemerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

II. Pension Plan administered by the State of Florida (Continued)

a. Plan Description (Continued)

Contributions and Funding Policy (Continued)

Effective July 1, 2003, the contribution rate was 15.23% of covered payroll. Prior to July 1, 2003, the rate was 11.86%. The City's contribution to the State of Florida Retirement System (Elected Officers' Class) for the fiscal year ending September 30, 2003 was \$4,643 and was equal to the required contribution for the year.

NOTE 11. DEFINED CONTRIBUTION PLANS

The City of North Miami Police Officers' Retirement Pension Fund Share Plan (Ord. 592.1.1) (the Plan) was established to provide retirement benefits for police officers of the City of North Miami. These benefits are funded from the State of Florida insurance premium tax monies and are in addition to benefits provided by the City of North Miami's retirement system. A separate Board of Trustees is responsible for the administration of this Plan. In accordance with GASB Statement No. 24, the City recognized revenues and expenditures in the amount of \$166,530 as on behalf payments for contributions of these premiums into the Plan.

The Plan issues a publicly available report that includes financial statements and required supplementary information. This report may be obtained by writing to: City of North Miami Police Department, 700 N.E. 124th Street, North Miami, Florida 33161.

The City administers the City of North Miami Department Managers' Pension Plan, an IRS Section 403(a) defined contribution pension plan for department managers. This Plan is funded through employer contributions consisting of 10% of a participant's compensation. This Plan can only be amended by the City Council. During fiscal year 2003, the City contributed approximately \$100,031 into this Plan, which is administered through a third party administrator.

NOTE 12. CONTINGENCIES

a. Environmental Matters (Biscayne Landing, f/k/a Munisport/Interama)

(i) Historical Background

In 1970, the City acquired 350 acres of land (n/k/a Biscayne Landing), for approximately \$11,800,000, from the proceeds of \$12,000,000 General Obligation Bonds, issued to provide financial assistance to the Inter-American Center Authority (Interama), an agency established by the State of Florida to develop an international cultural and trade center for the Americas. The project never materialized. Interama never repaid the City for the bond proceeds. The City subsequently entered into a 30-year lease agreement with a company

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12. CONTINGENCIES (Continued)

a. Environmental Matters (Biscayne Landing, f/k/a Munisport/Interama) (Continued)

(i) Historical Background (Continued)

formed to develop a recreation project on the Interama land. The company subsequently operated a portion of the property as a dumpsite, and the property became the subject of controversy arising principally from site related environmental issues involving the City, the company, various governmental agencies and others, which controversy has restricted its use and development. Accordingly, the recreation project was never completed and the company abandoned the premises.

In 1981, the Florida Department of Environmental Regulation (n/k/a FDEP) filed a suit against the City to close the portion of the land, which was operated as a dumpsite (landfill). The landfill has not operated since 1980 and the City, State and DERM have been working together to produce a closure plan, pursuant to a Consent Agreement.

Initially, approximately 291 acres of the land was included on the National Priorities List (NPL), pursuant to Section 105 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA).

A final Remedial Investigation Report and a Feasibility Study Report were published by EPA in 1988. The EPA issued its Record of Decision on this study, dated July 26, 1990 which reduced the size of the site to remain on the NPL to 33+ acres. The specific 33+ acres are described in a Consent Decree negotiated between the City and the EPA. The Consent Decree was approved by the Court in March 1992. In September 1997, the EPA's Record of Decision was amended to indicate that no further remedial action was required by the City. The EPA issued a certificate of completion on June 3, 1998. The consent decree was dismissed and the land was removed from the National Priorities List during 1999.

On February 10, 1998, the City voluntarily executed a Consent Agreement with the Miami-Dade County Department of Environmental Resources Management (DERM) to carry out groundwater remedial measures required by Florida law and County ordinance. The Consent Agreement anticipates that the Florida Department of Environmental Protection will delegate to DERM oversight of the landfill closure activities, in order to bring all regulatory controls under the auspices of a single agency.

(ii) Recent Studies and Developments

Pursuant to a Superfund Remediation and Landfill Closure Cost Projection completed in 1999, and updated through fiscal year 2001, the City estimated its liability at approximately \$11.7 million. In December 2002, the City entered into a Development Agreement for the site. The agreement initiated a two-year period during which development approvals for the developer's proposed project were sought by both parties, and following the date that final approvals are obtained the developer will assume the

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12. CONTINGENCIES (Continued)

a. Environmental Matters (Biscayne Landing, f/k/a Munisport/Interama) (Continued)

(ii) Recent Studies and Developments (continued)

City's responsibilities to comply with administrative orders and environmental laws. The City's environmental liability will be assumed by the developer at that time, and be further protected by the developer's agreement to indemnify, hold harmless and defend the City. As a result of this, in accordance with FASB Statement No. 5, *Accounting for Contingencies*, in fiscal year 2002, the City's potential continued liability was disclosed in the notes and was not reflected in the financial statements.

It has subsequently been determined, that although the developer has assumed responsibility for the cleanup, the City is ultimately liable for remediation and closure of the site. A Remediation and Landfill Closure Cost Projection completed in 2003, estimates the cost of remediation and closure at a range of between \$31 million to \$43 million. Accordingly, in 2003, the City has reflected in the financial statements a prior period adjustment of \$11.7 million and an additional estimated liability of \$19.3 million. This liability will be funded through a grant from Miami-Dade County to the City in the amount of \$31 million for remediation and closure. Although the grant agreement was executed in fiscal year 2004, receipt of these funds is not expected until early fiscal year 2005.

Once received, the funds will be placed in escrow to be used for funding the costs of the environmental cleanup.

During 2003, the City incurred approximately \$337,693 in site closure costs, which are reported in the Landfill Closure fund. Approximately \$75,532 in capital outlays were expended and capitalized as costs to the land.

(iii) Revenue Sources

(a) State Assistance (Grants/Contracts):

A portion of the required final study and design work for the remediation of the 33+ acre site was funded through a contract between the City and FDEP (f/n/a FDER), dated November 1990, at a total anticipated cost not to exceed \$1.4 million. The work plan for this study included a portion of the plans required by the EPA's scope of work, as adopted as a component of the Consent Decree entered into between the EPA and the City. The joint State/City effort related to the site again continued when the City successfully petitioned the Florida Legislature for funding assistance toward the actual Superfund site remedial construction in the 1992 legislative session and received a legislative commitment for a \$2.6 million grant via Chapter 92-30 Laws of Florida. The City has recognized approximately \$3,858,000 in revenues from these sources.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12. CONTINGENCIES (Continued)

a. Environmental Matters (Biscayne Landing, f/k/a Munisport/Interama) (Continued)

(iii) Revenue Sources (Continued)

(b) Other State Assistance:

The City's continued success in obtaining assistance from the State of Florida is based on the fact that the State did not repay the City for the 1970 bond proceeds. The 1989 Florida Legislature provided some assistance to the City via adoption of H.B. 709 Chapter 89-246, Laws of Florida, which gave certain surplus State lands at the site to the City. The deed for the lands was received by the City in December 1989. On the May 1990 election ballot, the City's voters approved the sale of these lands. All parcels have been sold. The sale of these lands produced \$3,671,712 in revenues.

(iv) Other Revenue Sources

(a) Litigation against Potentially Responsible Parties:

In 1994, the City recovered \$900,000 and the 30-acre Bessemer parcel from the former dumpsite operation. The value of the land received in the settlement was estimated at \$500,000.

The City eventually recognized approximately \$1,946,000 in litigation proceeds, in addition to the parcel of land.

(b) Proceeds from Issuance of Capital Improvement Revenue Bonds:

During 1996, the City issued approximately \$4.5 million in Capital Improvement Revenue Bonds to fund a portion of the cost of the Superfund Remedy and the final closure of the property. The bonds matured and were paid off in December 2000.

(c) Proceeds from Issuance of Promissory Note:

During 2000, the City issued a promissory note in the principal amount of not to exceed \$9,500,000 to finance the cost of environmental remediation at and closure of the City's landfill site. To date, the City has received, pursuant to the Note, the sum of \$4,200,000. As of September 30, 2003 the principal amount outstanding on the note is \$2,306,760.

(d) Grant Agreement:

The City entered into a Grant Agreement with Miami-Dade County, Florida for a twenty year term in which the County has agreed to provide an annual grant to the City not to exceed \$1,000,000 which commenced on October 1, 1996 and thereafter

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12. CONTINGENCIES (Continued)

a. Environmental Matters (Biscayne Landing, f/k/a Munisport/Interama) (Continued)

(iv) Other Revenue Sources (Continued)

(d) Grant Agreement (Continued):

each year during the term of the Agreement. Grant funds will be utilized solely to pay the cost of the remedial action and the final closure of the Munisport site, including principal and interest on the Note described above. In February 2004, the Miami-Dade County grant was amended to provide a one-time payment of \$31 million to the City for remediation and closure.

(v) Overall Outlook

The City, in March 2001, retained an independent real estate and appraisal firm to provide a market and valuation analysis of the property based upon a best use of the site. The firm concluded that "optimum developed land value of the site "As If Developed" is concluded at \$500,000 per acre or \$11.50 per square foot average for the net developable acreage...." In April 2001, the City Council authorized the issuance of a solicitation for the development of the Munisport Landfill site and in April 2002 designated a developer with whom the City commenced negotiation of a Development Agreement.

The Development Agreement was ultimately executed on December 13, 2002. The agreement contemplates the development of the site with the City receiving income from sales of units, an annual ground lease and from the value of the leasehold interest of the site through ad-valorem taxes. It is the City's opinion that any ultimate loss to the City concerning the environmental matters pertaining to the former Munisport site will be offset by the future use of the land.

b. Other

The City is a defendant in several additional lawsuits as of September 30, 2003, incidental to its operations, the outcomes of which are uncertain at this time. However, in the opinion of management and legal counsel, the ultimate outcome of such actions will not have a material adverse effect on the financial condition of the City.

c. Contingent Liabilities

Federal and State programs in which the City participates were audited in accordance with the provisions of the Federal Single Audit Act, the U.S. Office of Management and Budget Circular A-133, the Florida Single Audit Act and the Rules of the Auditor General, Chapter 10.550. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would be immaterial.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. POST EMPLOYMENT BENEFITS

In addition to pension benefits described in Notes 10 and 11, the City offers post retirement health care and group term life insurance benefits to all retirees who elect to pay the associated premiums and receive the benefits. Retirees can insure eligible dependents. The premium cost is paid entirely by the retirees and is at the same group rate as that charged to City employees. In fiscal year 2003, there were approximately 48 health and dental retiree members and approximately 104 life insurance members.

In accordance with the October 1, 1994 Police Bargaining Agreement between the City of North Miami and the Dade County Police Benevolent Association, the City pays the full cost of health insurance premiums for children and minor dependents of officers killed in the line of duty, provided they were covered by the City's health insurance plan at the time of the officer's death. The coverage continues until such children/minor dependents attain the age of 18 or the age of 25 for full-time students. Currently, 3 children/minor dependents meet those eligibility requirements.

In fiscal year 1997, the City offered a one-time Retirement Incentive to employees who had at least twenty years of City service and who were at least 50 years of age. The incentive was City paid group health premiums until age 65. Nine employees took advantage of this incentive. The annual budget includes premiums for this group of employees and for children/minor dependents of officers killed in the line of duty. Fiscal year 2003 expenditures for these benefits totaled \$75,644 and \$13,964, respectively.

Since October 1, 1997, the City provides paid group health insurance premiums until age 65, for elected officials of the City who have served a minimum of eight years and their tenure as an elected official commenced after May 1991.

In addition, since October 2000, the City provides paid group health insurance premiums for any former member of the Administrative Staff who has completed ten years or more of satisfactory service to the City in an administrative position or has completed 25 years or more of satisfactory service with the City.

NOTE 14. NON-COMMITMENT DEBT

Health Care Facilities Revenue Bonds

In November 1998, the City issued \$25,040,000 in Health Care Facilities Revenue Bonds to provide funds to the Affordable Community Housing Trust, a non-profit public benefit corporation for the purpose of currently refunding the \$20,515,000 principal amount outstanding of City of North Miami Health Care Facilities Revenue Bonds (the Imperial Club Project), Series 1992 and to provide financing for the cost of certain additional capital improvements to the health care facility. The Imperial Club is an independent elderly living facility located within the geographic boundaries of the County. The City has recorded a receivable of \$98,460 for the annual administrative fees.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 14. NON-COMMITMENT DEBT (Continued)

Educational Facilities Revenue Bonds

In November 1999, the City issued \$6,000,000 in Educational Facilities Revenue Bonds to provide financial assistance to Miami Country Day School, Inc., a not-for-profit corporation, for the cost of construction improvements, additions, and renovations to an educational facility, known as Miami Country Day School. In 2003, the City received an annual administrative fee of \$5,450.

In March 2003, the City issued \$24,485,000 in Educational Facilities Revenue Refunding Bonds (Johnson & Wales University Project) Series 2003A, to refund and defease \$23,640,000 in outstanding City of North Miami Educational Facilities Revenue Bonds-Series 1994A and to pay certain other expenses incurred in connection with the issuance of the 2003A Bonds and the refunding and defeasance of the 1994A Bonds. Johnson & Wales University owns and operates a campus located within the geographic limits of the City of North Miami. In 2003, the City received an annual administrative fee in the amount of \$24,485.

Debt Outstanding

The City acts solely as a lawful conduit in the issuance of the bonds described above and is not liable in any manner. The amount of debt outstanding as of September 30, 2003 was \$24,800,000, \$5,200,000 and \$24,485,000 respectively.

NOTE 15. PRIOR PERIOD ADJUSTMENTS

Correction of an Error

In 1994, the estimated useful life of certain capital assets was reduced from a 50-year life to a 10-year life to coincide with the asset's replacement program. Although future additions were correctly depreciated over the new estimated life, the asset records for purchases prior to 1994 were not updated to reflect the new life, and were not properly depreciated in those future periods. This original change in estimate has now become a correction of an error in the financial statements. Accordingly, a prior period adjustment of \$1,467,946 is reflected as an adjustment to the beginning balance of net assets for the Water & Sewer Utility Fund.

Prior to fiscal year 2002, the City reflected an \$11.7 million estimated liability in the general long-term debt account group for the remediation and closure costs associated with the environmental matters of the Munisport landfill site (Interama property). This estimate was based on a 1999 cost projection. In fiscal year 2002, the liability was reversed as a result of a development agreement executed between the City and a developer for the property. The agreement provides that the developer shall assume the City's responsibilities to comply with environmental laws with respect to the site. This is to be done at the developer's sole cost and expense in pursuing the remedial actions. The risk was being transferred to a developer who had the financial capability and stability to meet the closure and postclosure care obligations. Therefore, based on management's professional judgment, the \$11.7 million liability was reversed, and not reflected in the fiscal year 2002 financial statements.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 15. PRIOR PERIOD ADJUSTMENTS (Continued)

Correction of an Error (Continued)

During fiscal year 2003, new information and subsequent developments gave management a better insight to improve their judgment on this transaction. It was determined, that although the responsibility had been contractually assumed by the developer, the City still retained the ultimate risk, responsibility and liability for the remediation and closure of the site. This is deemed a correction of an error. Accordingly, a prior period adjustment of \$11.7 million is reflected as an adjustment to the beginning balance of net assets in the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF NORTH MIAMI, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes:				
Property taxes	\$ 12,252,924	\$ 12,252,924	\$ 12,198,658	\$ (54,266)
Sales and use taxes	862,582	862,582	916,555	53,973
Franchise fees	2,182,043	2,182,043	2,706,832	524,789
Utility service taxes	2,404,300	2,404,300	2,521,258	116,958
Communication service tax	2,281,187	2,281,187	1,713,857	(567,330)
	<u>19,983,036</u>	<u>19,983,036</u>	<u>20,057,160</u>	<u>74,124</u>
Licenses and permits:				
Business licenses and permits	514,550	514,550	503,587	(10,963)
Construction permits	504,300	504,300	680,382	176,082
	<u>1,018,850</u>	<u>1,018,850</u>	<u>1,183,969</u>	<u>165,119</u>
Intergovernmental:				
State revenue sharing	1,375,258	1,375,258	1,554,732	179,474
Grants	5,036,668	5,036,668	325,646	(4,711,022)
Other state and local revenues	3,662,092	3,662,092	3,619,308	(42,784)
	<u>10,074,018</u>	<u>10,074,018</u>	<u>5,499,686</u>	<u>(4,574,332)</u>
Charges for services:				
Public safety	21,000	21,000	22,188	1,188
Culture/recreation	382,840	382,840	377,905	(4,935)
Internal charges	5,356,325	5,356,325	5,355,811	(514)
Other	227,700	227,700	272,079	44,379
	<u>5,987,865</u>	<u>5,987,865</u>	<u>6,027,983</u>	<u>40,118</u>
Fines and forfeitures	<u>310,100</u>	<u>310,100</u>	<u>314,662</u>	<u>4,562</u>
Other:				
Interest	129,919	129,919	80,003	(49,916)
Other	291,876	291,876	1,766,227	1,474,351
	<u>421,795</u>	<u>421,795</u>	<u>1,846,230</u>	<u>1,424,435</u>
Total revenues	<u>\$ 37,795,664</u>	<u>\$ 37,795,664</u>	<u>\$ 34,929,690</u>	<u>\$ (2,865,974)</u>

(Continued)

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts (1)</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Expenditures:				
Current:				
General Government:				
Mayor and council	\$ 277,887	\$ 308,737	\$ 296,525	\$ 12,212
City manager	850,602	850,602	735,265	115,337
City clerk	293,665	293,665	258,087	35,578
Finance	1,796,012	1,796,012	1,550,407	245,605
Legal	604,707	604,519	601,888	2,631
Personnel	531,074	632,561	615,140	17,421
Administrative services	805,620	792,535	792,368	167
Non-departmental:				
Intragovernment charges for insurance	3,597,826	3,394,326	2,692,650	701,676
Employee benefits	2,557,878	2,510,541	2,551,884	(41,343)
Other	<u>1,707,089</u>	<u>1,380,589</u>	<u>401,247</u>	<u>979,342</u>
Total general government	<u>13,022,360</u>	<u>12,564,087</u>	<u>10,495,461</u>	<u>2,068,626</u>
Public works	2,013,936	2,009,096	1,930,541	78,555
Public safety	11,902,436	11,900,069	11,689,987	210,082
Parks and recreation	5,846,853	5,729,079	4,825,236	903,843
Library	700,388	690,093	654,456	35,637
Museum	690,118	750,118	736,497	13,621
Community planning and development	1,850,145	1,886,347	1,816,681	69,666
Grant/aids	383,248	383,248	390,513	(7,265)
Capital outlay	<u>3,391,003</u>	<u>3,538,350</u>	<u>1,720,535</u>	<u>1,817,815</u>
Total expenditures	<u>39,800,487</u>	<u>39,450,487</u>	<u>34,259,907</u>	<u>5,190,580</u>
Excess (deficiency) of revenues over expenditures	<u>(2,004,823)</u>	<u>(1,654,823)</u>	<u>669,783</u>	<u>2,324,606</u>
Other financing sources (uses):				
Transfers in	2,855,136	2,855,136	2,803,956	(51,180)
Transfers out	<u>(1,167,712)</u>	<u>(1,517,712)</u>	<u>(1,384,793)</u>	<u>132,919</u>
Total other financing sources	<u>1,687,424</u>	<u>1,337,424</u>	<u>1,419,163</u>	<u>81,739</u>
Net change in fund balance	<u>\$ (317,399)</u>	<u>\$ (317,399)</u>	<u>\$ 2,088,946</u>	<u>\$ 2,406,345</u>
Appropriated beginning fund balance	<u>\$ 741,999</u>	<u>\$ 741,999</u>		

(1) \$424,600 budgeted as reserve for employee benefits

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2003

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for encumbrances in the General Fund and for all other governmental funds (nonmajor funds) except for the Half-Cent Transportation Surtax special revenue fund. Additionally, interfund loans between funds are budgeted as operating transfers.

- (1) 35 days prior to fiscal year end, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances. Budgetary control over expenditures, including capital outlay and operating transfers in the General Fund is legally maintained at the departmental level.
- (2) Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.
- (3) Prior to September 28th (unless preempted by TRIM) as stated in the City's Charter, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager may at any time transfer any unencumbered appropriated balance or portion thereof between general classifications of expenditures within an office, department or agency. At the request of the City Manager and within the last three months of the budget year, the Council may by resolution transfer any unencumbered appropriated balance or portion thereof, from one office, department or agency to another.
- (5) Budgeted amounts are as originally adopted or as amended. The fiscal year 2003 budget was amended to include an interfund loan of \$350,000 from the General Fund to the Local Housing Assistance Fund. No other significant revisions to the budget were required in 2003. There were no supplemental appropriations during fiscal year ended September 30, 2003.
- (6) Unencumbered appropriations lapse at year-end.

NOTE 2. RECONCILIATION OF BUDGETED AND ACTUAL RESULTS

The following adjustments were necessary to present the actual data on a budgetary basis at September 30, 2003:

	General Fund
Net change in fund balance (GAAP)	\$ 3,760,116
September 30, 2002 encumbrances budgeted as 2002 expenditures	256,814
September 30, 2003 encumbrances budgeted as 2003 expenditures	(1,543,104)
Interfund loans budgeted as operating transfers	<u>(384,880)</u>
Net change in fund balance - (budgetary basis)	<u>\$ 2,088,946</u>

CITY OF NORTH MIAMI, FLORIDA
CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry <u>Age (b)</u>	Unfunded AAL (UAAL) (1) <u>(b-a)</u>	Funded Ratio <u>(a÷b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)÷c)</u>
October 1, 1999	\$ 58,875,802	\$ 56,780,548	\$ (2,095,254)	103.7%	\$ 14,139,623	(14.8%)
October 1, 2001	62,110,336	59,943,465	(2,166,871)	103.6%	14,453,082	(15.0%)
October 1, 2002	55,291,559	62,380,560	7,089,001	88.6%	15,421,323	46.0%

**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT – This fund is used to account for expenditures of federal funds to provide decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

BISCAYNE BOULEVARD IMPROVEMENT – This fund is used to account for miscellaneous revenues from code violations, impact fees and miscellaneous billings that are restricted to expenditures for specific current operating purposes.

LANDFILL CLOSURE – This fund is used to account for monies required to close the Munisport site (Interama).

POLICE TRAINING – This fund is used to account for expenditures of state police training funds on behalf of the City of North Miami police officer training.

LOCAL HOUSING ASSISTANCE (SHIP) – This fund is used to account for state funds provided for the creation of local housing partnerships, to expand production of and preserve affordable housing, to further the housing element of the local government comprehensive plan specific to affordable housing and to increase housing-related employment.

BUSINESS ASSISTANCE LOAN – This fund is used to account for CDBG funds provided as loans to local businesses. In fiscal year 2003, this fund was closed and the balance transferred to the Community Development Block Grant Fund (CDBG). Business loans are now accounted for in the CDBG Fund. These loans are for the retention and expansion of business and industry in the City of North Miami and the creation and retention of permanent private sector job opportunities principally for persons of low and moderate income.

HALF-CENT TRANSPORTATION SURTAX – This fund is used to account for the City's prorated share of the Charter County Transit System Surtax proceeds. The monies received can be used toward projects and programs such as public transportation operations and maintenance, roadway and right-of-way maintenance and equipment, street lighting, and transit system enhancements.

DOWNTOWN INCENTIVES – This fund was created in fiscal year 2002 to provide grants for capital expenditures for eligible businesses and to assist new eligible businesses with rental agreement commitments.

LAW ENFORCEMENT – This fund is used to account for confiscated monies awarded to the City under State Statutes to be used for law enforcement related expenditures.

FEDERAL FORFEITURE – This fund is used to account for confiscated monies that involve the City's Police department and federal agencies.

LAW ENFORCEMENT BLOCK GRANT – This fund is used to account for the City's entitlement under the local law enforcement block grant program.

DEBT SERVICE FUNDS

The **DEBT SERVICE FUNDS** are used to account for the accumulation of resources and payment of general obligation loan principal and interest from governmental resources and special obligation bond principal and interest when the government is obligated in some manner for the payment.

FMLC LOAN (GENERAL OBLIGATION) – This fund is used to account for monies for payment of principal, interest, and other costs related to the loan agreement with the Florida Municipal Loan Council. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2002A) and used to currently refund the 1992 General Obligation bond issuance. Debt service is financed primarily by ad valorem taxes.

TAXABLE SPECIAL OBLIGATION REFUNDING BONDS – SERIES 2002 (PENSION OBLIGATION BONDS) – This fund is used to account for monies for payment of principal, interest and other costs related to the Series 2002 Taxable Special Obligation Refunding Bonds issuance. The bonds were issued for the purpose of advance refunding outstanding Taxable Special Obligation Bonds Series 1997 (pension funding project). Debt service is financed by non-ad valorem funds budgeted and appropriated by the City on an annual basis.

CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

SAFE NEIGHBORHOOD PARKS – This fund is used to account for the receipt and expenditure of funds from the County's parks bond issuance. This fund had no revenues or expenditures in fiscal year 2003 and is presented on a budgetary basis only.

CITY OF PROGRESS CAPITAL IMPROVEMENT – This fund is used to account for expenditures related to miscellaneous capital projects.

E. MAY AVIL LIBRARY – This fund was established to account for expenditures for library renovation and expansion.

TRANSPORTATION GAS TAX – This fund is used to account for expenditures for implementing transportation related capital improvements. The local option gas tax is a county imposed tax, collected by the State of Florida, and distributed back to counties and municipalities based on the interlocal agreement in effect for that year.

CITY OF NORTH MIAMI, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

	Special Revenue											
		Biscayne		Local		Business				Law	Half Cent	
	CDBG	Boulevard	Landfill	Police	Housing	Assistance	Downtown	Law	Federal	Enforcemen	Transportation	Total
	Entitlemen	Improvement	Closure	Trainin	(SHIP)	Loan	Incentives	Enforcemen	Forfeitur	Block Grant	Surtax	
<u>ASSETS</u>												
Cash and cash equivalents	\$ -	\$ 6,099	\$536,377	\$ 977	\$ 257,508	\$ -	\$ 52,733	\$ 89,752	\$ 19,324	\$ 214,561	\$ 586,912	\$1,764,243
Investments	-	-	-	-	-	-	-	200,000	50,000	100,000	-	350,000
Receivables	611,021	-	243,945	-	56,666	-	-	115	54	113	550,655	1,462,569
Other assets	-	-	260	1,502	-	-	-	3,217	-	-	-	4,979
Total assets	<u>\$ 611,021</u>	<u>\$ 6,099</u>	<u>\$780,582</u>	<u>\$2,479</u>	<u>\$ 314,174</u>	<u>\$ -</u>	<u>\$ 52,733</u>	<u>\$ 293,084</u>	<u>\$ 69,378</u>	<u>\$ 314,674</u>	<u>\$ 1,137,567</u>	<u>\$3,581,791</u>
<u>LIABILITIES AND FUND BALANCES</u>												
Liabilities:												
Accounts payable and accrued liabilities	\$ 153,097	\$ -	\$ 29,029	\$ 100	\$ 137,664	\$ -	\$ 2,370	\$ 22,095	\$ 10,011	\$ 31,328	\$ -	\$ 385,694
Contracts and retainage payable	36,903	-	-	-	-	-	-	-	-	-	-	36,903
Due to other funds	230,174	-	-	-	350,000	-	-	-	-	-	-	580,174
Advances from other funds	-	-	-	-	-	-	-	76,159	-	-	-	76,159
Deferred revenue	190,847	-	-	-	-	-	-	-	-	-	-	190,847
Total liabilities	<u>611,021</u>	<u>-</u>	<u>29,029</u>	<u>100</u>	<u>487,664</u>	<u>-</u>	<u>2,370</u>	<u>98,254</u>	<u>10,011</u>	<u>31,328</u>	<u>-</u>	<u>1,269,777</u>
Fund balances:												
Reserved for encumbrances	-	-	-	-	-	-	-	21,430	756	27,428	-	49,614
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved:												-
Designated for subsequent												-
year's expenditures	-	6,099	659,489	1,627	-	-	34,899	173,400	58,611	255,918	1,000,000	2,190,043
Undesignated	-	-	92,064	752	(173,490)	-	15,464	-	-	-	137,567	72,357
Total fund balances	<u>-</u>	<u>6,099</u>	<u>751,553</u>	<u>2,379</u>	<u>(173,490)</u>	<u>-</u>	<u>50,363</u>	<u>194,830</u>	<u>59,367</u>	<u>283,346</u>	<u>1,137,567</u>	<u>2,312,014</u>
Total liabilities and fund balances	<u>\$ 611,021</u>	<u>\$ 6,099</u>	<u>\$780,582</u>	<u>\$2,479</u>	<u>\$ 314,174</u>	<u>\$ -</u>	<u>\$ 52,733</u>	<u>\$ 293,084</u>	<u>\$ 69,378</u>	<u>\$ 314,674</u>	<u>\$ 1,137,567</u>	<u>\$3,581,791</u>

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

	<u>Debt Service</u>			City of		E. May		Total	Total
	FMLC-Loan	Pension		Progress	Transportation	Avil			Nonmajor
	General	Obligation		Capital	Gas Tax	Library			Governmental
	<u>Obligation</u>	<u>Bonds</u>	<u>Total</u>	<u>Improvement</u>				<u>Total</u>	<u>Funds</u>
<u>ASSETS</u>									
Cash and cash equivalents	\$ -	\$ 85,183	\$ 85,183	\$ 384,786	\$ 253,545	\$ 560	\$ 638,891	\$ 2,488,317	
Investments	-	-	-	600,000	250,000	-	850,000	1,200,000	
Receivables	5,903	-	5,903	1,632	59,403	-	61,035	1,529,507	
Other assets	-	4,026	4,026	-	-	-	-	9,005	
Total assets	<u>\$ 5,903</u>	<u>\$ 89,209</u>	<u>\$ 95,112</u>	<u>\$ 986,418</u>	<u>\$ 562,948</u>	<u>\$ 560</u>	<u>\$ 1,549,926</u>	<u>\$ 5,226,829</u>	
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable and accrued liabilities	\$ -	\$ 68,564	\$ 68,564	\$ -	\$ 100,950	\$ -	\$ 100,950	\$ 555,208	
Accrued bond interest	-	20,645	20,645	-	-	-	-	20,645	
Contracts and retainage payable	-	-	-	-	9,443	-	9,443	46,346	
Due to other funds	7,514	-	7,514	436,450	-	-	436,450	1,024,138	
Advances from other funds	-	-	-	-	-	-	-	76,159	
Deferred revenue	-	-	-	-	-	-	-	190,847	
Total liabilities	<u>7,514</u>	<u>89,209</u>	<u>96,723</u>	<u>436,450</u>	<u>110,393</u>	<u>-</u>	<u>546,843</u>	<u>1,913,343</u>	
Fund balances:									
Reserved for encumbrances	-	-	-	-	19,119	-	19,119	68,733	
Reserved for debt service	-	-	-	-	-	-	-	-	
Unreserved:									
Designated for subsequent year's expenditures	-	-	-	549,968	322,599	560	873,127	3,063,170	
Undesignated	(1,611)	-	(1,611)	-	110,837	-	110,837	181,583	
Total fund balances	<u>(1,611)</u>	<u>-</u>	<u>(1,611)</u>	<u>549,968</u>	<u>452,555</u>	<u>560</u>	<u>1,003,083</u>	<u>3,313,486</u>	
Total liabilities and fund balances	<u>\$ 5,903</u>	<u>\$ 89,209</u>	<u>\$ 95,112</u>	<u>\$ 986,418</u>	<u>\$ 562,948</u>	<u>\$ 560</u>	<u>\$ 1,549,926</u>	<u>\$ 5,226,829</u>	

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue											
	CDBG	Biscayne	Landfill	Police	Local	Business	Downtown	Law	Federal	Law	Half Cent	
	Entitlement	Boulevard	Closure	Training	Housing	Assistance	Incentives	Enforcement	Forfeiture	Enforcement	Transportation	Total
		Improvement			Assistance	Loan				Block Grant	Surtax	
Revenues:												
Intergovernmental	\$ 1,665,890	\$ -	\$ 1,000,000	\$ 9,400	\$ 325,503	\$ -	\$ -	\$ -	\$ -	\$ 146,643	\$ 1,136,965	\$ 4,284,401
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	414,694	37,139	-	-	451,833
Other (including interest)	16,442	41	1,606	13	13,622	-	587	4,207	1,399	2,916	602	41,435
Total revenues	<u>1,682,332</u>	<u>41</u>	<u>1,001,606</u>	<u>9,413</u>	<u>339,125</u>	<u>-</u>	<u>587</u>	<u>418,901</u>	<u>38,538</u>	<u>149,559</u>	<u>1,137,567</u>	<u>4,777,669</u>
Expenditures:												
Current:												
Public safety	-	-	-	9,131	-	-	-	303,904	114,837	86,627	-	514,499
Community planning and development	386,955	-	-	-	-	-	-	-	-	-	-	386,955
Physical environment	-	-	262,161	-	-	-	-	-	-	-	-	262,161
Economic environment	-	-	-	-	46,881	-	10,853	-	-	-	-	57,734
Grants/aid	1,209,302	-	-	-	1,225,194	-	31,265	-	-	-	-	2,465,761
Capital outlay	104,568	-	75,532	-	-	-	-	13,000	8,772	149,432	-	351,304
Debt service:												
Principal retirement	-	-	973,103	-	-	-	-	-	-	-	-	973,103
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	32,247	-	-	-	-	-	-	-	-	32,247
Total expenditures	<u>1,700,825</u>	<u>-</u>	<u>1,343,043</u>	<u>9,131</u>	<u>1,272,075</u>	<u>-</u>	<u>42,118</u>	<u>316,904</u>	<u>123,609</u>	<u>236,059</u>	<u>-</u>	<u>5,043,764</u>
Excess (deficiency) of revenues over expenditures	<u>(18,493)</u>	<u>41</u>	<u>(341,437)</u>	<u>282</u>	<u>(932,950)</u>	<u>-</u>	<u>(41,531)</u>	<u>101,997</u>	<u>(85,071)</u>	<u>(86,500)</u>	<u>1,137,567</u>	<u>(266,095)</u>
Other financing sources (uses):												
Transfers in	18,493	-	-	-	-	-	-	-	-	20,537	-	39,030
Transfers out	-	-	-	-	-	(18,493)	-	(60,374)	(20,537)	-	-	(99,404)
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-	-	-
Debt issued	-	-	600,000	-	-	-	-	-	-	-	-	600,000
Total other financing sources (uses)	<u>18,493</u>	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>(18,493)</u>	<u>-</u>	<u>(60,374)</u>	<u>(20,537)</u>	<u>20,537</u>	<u>-</u>	<u>539,626</u>
Net change in fund balances	-	41	258,563	282	(932,950)	(18,493)	(41,531)	41,623	(105,608)	(65,963)	1,137,567	273,531
Fund balances, beginning	-	6,058	492,990	2,097	759,460	18,493	91,894	153,207	164,975	349,309	-	2,038,483
Fund balances, ending	<u>\$ -</u>	<u>\$ 6,099</u>	<u>\$ 751,553</u>	<u>\$ 2,379</u>	<u>\$ (173,490)</u>	<u>\$ -</u>	<u>\$ 50,363</u>	<u>\$ 194,830</u>	<u>\$ 59,367</u>	<u>\$ 283,346</u>	<u>\$ 1,137,567</u>	<u>\$ 2,312,014</u>

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Debt Service</u>			City of	Transportation	E. May Avil		Total
	FMLC-Loan	Pension		Progress	Gas Tax	Library		Nonmajor
	General	Obligation		Capital				Governmental
	<u>Obligation</u>	<u>Bonds</u>	<u>Total</u>	<u>Improvement</u>			<u>Total</u>	<u>Funds</u>
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 380,188	\$ -	\$ 380,188	\$ 4,664,589
Taxes	377,203	-	377,203	-	-	-	-	377,203
Fines and forfeitures	-	-	-	-	-	-	-	451,833
Other (including interest)	-	304	304	15,174	12,261	560	27,995	69,734
Total revenues	<u>377,203</u>	<u>304</u>	<u>377,507</u>	<u>15,174</u>	<u>392,449</u>	<u>560</u>	<u>408,183</u>	<u>5,563,359</u>
Expenditures:								
Current:								
Public safety	-	-	-	-	-	-	-	514,499
Community planning and development	-	-	-	-	-	-	-	386,955
Physical environment	-	-	-	-	-	-	-	262,161
Economic environment	-	-	-	-	-	-	-	57,734
Grants/aid	-	-	-	-	-	-	-	2,465,761
Capital outlay	-	-	-	-	554,696	-	554,696	906,000
Debt service:								
Principal retirement	275,000	100,000	375,000	-	-	-	-	1,348,103
Debt issuance costs	-	422,662	422,662	-	-	-	-	422,662
Interest and fiscal charges	<u>141,010</u>	<u>954,565</u>	<u>1,095,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,127,822</u>
Total expenditures	<u>416,010</u>	<u>1,477,227</u>	<u>1,893,237</u>	<u>-</u>	<u>554,696</u>	<u>-</u>	<u>554,696</u>	<u>7,491,697</u>
Excess (deficiency) of revenues over expenditures	<u>(38,807)</u>	<u>(1,476,923)</u>	<u>(1,515,730)</u>	<u>15,174</u>	<u>(162,247)</u>	<u>560</u>	<u>(146,513)</u>	<u>(1,928,338)</u>
Other financing sources (uses):								
Transfers in	-	1,000,161	1,000,161	-	-	-	-	1,039,191
Transfers out	-	(1,800,000)	(1,800,000)	(578,315)	-	-	(578,315)	(2,477,719)
Payment to escrow agent	-	(14,312,338)	(14,312,338)	-	-	-	-	(14,312,338)
Proceeds from interest rate swap	-	1,854,100	1,854,100	-	-	-	-	1,854,100
Debt issued	<u>-</u>	<u>14,735,000</u>	<u>14,735,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,335,000</u>
Total other financing sources (uses)	<u>-</u>	<u>1,476,923</u>	<u>1,476,923</u>	<u>(578,315)</u>	<u>-</u>	<u>-</u>	<u>(578,315)</u>	<u>1,438,234</u>
Net change in fund balances	(38,807)	-	(38,807)	(563,141)	(162,247)	560	(724,828)	(490,104)
Fund balances, beginning	<u>37,196</u>	<u>-</u>	<u>37,196</u>	<u>1,113,109</u>	<u>614,802</u>	<u>-</u>	<u>1,727,911</u>	<u>3,803,590</u>
Fund balances, ending	<u>\$ (1,611)</u>	<u>\$ -</u>	<u>\$ (1,611)</u>	<u>\$ 549,968</u>	<u>\$ 452,555</u>	<u>\$ 560</u>	<u>\$ 1,003,083</u>	<u>\$ 3,313,486</u>

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue											
	CDBG Entitlement				Biscayne				Landfill Closure			
	(1)			Variance	(2)			Variance	(3)			Variance
	Budgeted Amounts		Actual	with Final	Budgeted Amounts		Actual	with Final	Budgeted Amounts		Actual	with Final
	Original	Final	Amounts	Budget-Positive	Original	Final	Amounts	Budget-Positive	Original	Final	Amounts	Budget-Positive
				(Negative)				(Negative)				(Negative)
Revenues:												
Intergovernmental	\$ 1,938,793	\$ 1,938,793	\$ 1,665,890	\$ (272,903)	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	-	16,442	16,442	20,079	20,079	41	(20,038)	-	-	1,606	1,606
Total revenues	1,938,793	1,938,793	1,682,332	(256,461)	20,079	20,079	41	(20,038)	1,000,000	1,000,000	1,001,606	1,606
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	-
Community planning and development	457,443	485,057	433,222	51,835	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	640,102	640,102	351,008	289,094
Economic environment	-	-	-	-	-	-	-	-	-	-	-	-
Grants/aid	1,320,985	1,265,352	1,209,302	56,050	-	-	-	-	-	-	-	-
Capital outlay	112,765	140,784	35,897	104,887	-	-	-	-	600,000	600,000	5,212	594,788
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	880,000	880,000	973,103	(93,103)
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	132,000	132,000	32,247	99,753
Total expenditures	1,891,193	1,891,193	1,678,421	212,772	-	-	-	-	2,252,102	2,252,102	1,361,570	890,532
Excess (deficiency) of revenues over expenditures	47,600	47,600	3,911	(43,689)	20,079	20,079	41	(20,038)	(1,252,102)	(1,252,102)	(359,964)	892,138
Other financing sources (uses):												
Transfers in	-	-	18,493	18,493	-	-	-	-	-	-	-	-
Transfers out	(45,000)	(45,000)	-	45,000	-	-	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	1,254,102	1,254,102	600,000	(654,102)
Total other financing sources (uses)	(45,000)	(45,000)	18,493	63,493	-	-	-	-	1,254,102	1,254,102	600,000	(654,102)
Net change in fund balance	\$ 2,600	\$ 2,600	\$ 22,404	\$ 19,804	\$ 20,079	\$ 20,079	\$ 41	\$ (20,038)	\$ 2,000	\$ 2,000	\$ 240,036	\$ 238,036
Appropriated beginning fund balance	\$ -	\$ -			\$ 6,058	\$ 6,058			\$ -	\$ -		

(1) \$2,600 budgeted as reserve for vacation and sick leave accrual.

(2) \$26,137 budgeted as reserve for future appropriation.

(3) \$2,000 budgeted as reserve for vacation and sick leave accrual.

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue											
	Police Training				Local Housing Assistance (SHIP)				Business Assistance			
			Actual Amounts	Variance with Final Budget- Positive (Negative)			Actual Amounts	Variance with Final Budget- Positive (Negative)			Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Budgeted Amounts</u>	<u>Budgeted Amounts</u>			<u>Budgeted Amounts</u>	<u>Budgeted Amounts</u>			<u>Budgeted Amounts</u>	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Revenues:												
Intergovernmental	\$ 9,600	\$ 9,600	\$ 9,400	\$ (200)	\$ 270,168	\$ 270,168	\$ 325,503	\$ 55,335	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	44	44	13	(31)	6,100	6,100	13,622	7,522	-	-	-	-
Total revenues	9,644	9,644	9,413	(231)	276,268	276,268	339,125	62,857	-	-	-	-
Expenditures:												
Current:												
Public safety	9,644	9,644	9,131	513	-	-	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	27,017	71,249	46,881	24,368	-	-	-	-
Grants/aid	-	-	-	-	921,886	1,227,654	1,225,194	2,460	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	9,644	9,644	9,131	513	948,903	1,298,903	1,272,075	26,828	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	282	282	(672,635)	(1,022,635)	(932,950)	89,685	-	-	-	-
Other financing sources (uses):												
Transfers in	-	-	-	-	-	350,000	350,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(18,493)	(18,493)	(18,493)	-
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	350,000	350,000	-	(18,493)	(18,493)	(18,493)	-
Net change in fund balance	\$ -	\$ -	\$ 282	\$ 282	\$ (672,635)	\$ (672,635)	\$ (582,950)	\$ 89,685	\$ (18,493)	\$ (18,493)	\$ (18,493)	\$ -
Appropriated beginning fund balance	\$ -	\$ -			\$ 672,635	\$ 672,635			\$ 18,493	\$ 18,493		

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue															
	Downtown Incentives				Law Enforcement				Federal Forfeiture				Law Enforcement Block Grant			
	(4)			Variance with Final Budget-Positive			Variance with Final Budget-Positive	(5)			Variance with Final Budget-Positive	(6)			Variance with Final Budget-Positive	
	Budgeted Amounts	Actual	Budgeted Amounts	Actual	Budgeted Amounts	Actual	Budgeted Amounts	Actual	Budgeted Amounts	Actual	Budgeted Amounts	Actual	Budgeted Amounts	Actual	Budgeted Amounts	
	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	Original	
Revenues:																
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,833	\$ 184,833	\$ 146,643	
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fines and forfeitures	-	-	-	-	-	-	414,694	414,694	-	-	37,139	37,139	-	-	-	
Other (including interest)	634	634	587	(47)	7,000	7,000	4,207	(2,793)	1,931	1,931	1,399	(532)	4,679	4,679	2,916	
Total revenues	634	634	587	(47)	7,000	7,000	418,901	411,901	1,931	1,931	38,538	36,607	189,512	189,512	149,559	
Expenditures:																
Current:																
Public safety	-	-	-	-	-	59,433	314,824	(255,391)	-	60,050	59,724	326	-	78,300	68,171	
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community planning and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Economic environment	-	10,000	10,853	(853)	-	-	-	-	-	-	-	-	-	-	-	
Grants/aid	-	22,000	31,265	(9,265)	-	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	-	13,000	(13,000)	-	2,961	2,961	-	-	197,758	164,306	
Debt service:																
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total expenditures	-	32,000	42,118	(10,118)	-	59,433	327,824	(268,391)	-	63,011	62,685	326	-	276,058	232,477	
Excess (deficiency) of revenues over expenditures	634	(31,366)	(41,531)	(10,165)	7,000	(52,433)	91,077	143,510	1,931	(61,080)	(24,147)	36,933	189,512	(86,546)	(82,918)	
Other financing sources (uses):																
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	20,537	20,537	20,537	
Transfers out	-	-	-	-	(96,514)	(96,514)	(144,911)	(48,397)	(20,537)	(20,537)	(20,537)	-	-	-	-	
Proceeds from interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	-	-	-	-	(96,514)	(96,514)	(144,911)	(48,397)	(20,537)	(20,537)	(20,537)	-	20,537	20,537	20,537	
Net change in fund balance	\$ 634	\$ (31,366)	\$ (41,531)	\$ (10,165)	\$ (89,514)	\$ (148,947)	\$ (53,834)	\$ 95,113	\$ (18,606)	\$ (81,617)	\$ (44,684)	\$ 36,933	\$ 210,049	\$ (66,009)	\$ (62,381)	
Appropriated beginning fund balance	\$ 95,479	\$ 95,479			\$ 148,947	\$ 148,947			\$ 114,687	\$ 114,687			\$ 267,234	\$ 267,234		

(4) \$64,113 budgeted as reserve for downtown incentives.

(5) \$33,070 budgeted as reserve for future appropriation.

(6) \$201,225 budgeted as reserve for future appropriation.

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS

NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Debt Service							
	FMLC - Loan General Obligation				Pension Obligation Bonds			
			Variance with Final Budget- Positive (Negative)	(7)			Variance with Final Budget- Positive (Negative)	
	<u>Budgeted Amounts</u>	<u>Actual</u>			<u>Budgeted Amounts</u>	<u>Actual</u>		
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>		<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	391,027	391,027	377,203	(13,824)	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other (including interest)	-	-	-	-	-	-	304	304
Total revenues	<u>391,027</u>	<u>391,027</u>	<u>377,203</u>	<u>(13,824)</u>	<u>-</u>	<u>-</u>	<u>304</u>	<u>304</u>
Expenditures:								
Current:								
Public Safety	-	-	-	-	-	-	-	-
Culture/Recreation	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	275,000	275,000	275,000	-	355,000	100,000	100,000	-
Debt issuance costs	-	-	-	-	235,000	422,663	422,663	-
Interest and fiscal charges	<u>150,740</u>	<u>150,740</u>	<u>141,010</u>	<u>9,730</u>	<u>977,143</u>	<u>1,086,639</u>	<u>954,565</u>	<u>132,074</u>
Total expenditures	<u>425,740</u>	<u>425,740</u>	<u>416,010</u>	<u>9,730</u>	<u>1,567,143</u>	<u>1,609,302</u>	<u>1,477,228</u>	<u>132,074</u>
Excess (deficiency) of revenues over expenditures	<u>(34,713)</u>	<u>(34,713)</u>	<u>(38,807)</u>	<u>(4,094)</u>	<u>(1,567,143)</u>	<u>(1,609,302)</u>	<u>(1,476,924)</u>	<u>132,378</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	1,200,143	1,200,143	1,000,162	(199,981)
Transfers out	-	-	-	-	(1,800,000)	(1,800,000)	(1,800,000)	-
Proceeds from interest rate swap	-	-	-	-	-	-	1,854,100	1,854,100
Debt issued	-	-	-	-	16,660,000	16,660,000	14,735,000	(1,925,000)
Payment to escrow agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,124,000)</u>	<u>(14,312,338)</u>	<u>(14,312,338)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,936,143</u>	<u>1,747,805</u>	<u>1,476,924</u>	<u>(270,881)</u>
Net change in fund balance	<u>\$ (34,713)</u>	<u>\$ (34,713)</u>	<u>\$ (38,807)</u>	<u>\$ (4,094)</u>	<u>\$ 369,000</u>	<u>\$ 138,503</u>	<u>\$ -</u>	<u>\$ (138,503)</u>
Appropriated beginning fund balance	<u>\$ 34,713</u>	<u>\$ 34,713</u>			<u>\$ -</u>	<u>\$ -</u>		

(Continued)

(7) \$138,503 budgeted as bond reserve.

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Capital Projects															
	Safe Neighborhood Parks				City of Progress Capital Improvement				E. May Avil Library				Transportation Gas Tax			
	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)	(8) Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)	(9) Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final	Amounts		Original	Final	Amounts		Original	Final	Amounts		Original	Final	Amounts	
Revenues:																
Intergovernmental	\$ 58,800	\$ 58,800	\$ -	\$ (58,800)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370,627	\$ 370,627	\$ 380,188	\$ 9,561
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	-	-	-	26,306	26,306	15,174	(11,132)	-	-	560	560	18,500	18,500	12,261	(6,239)
Total revenues	58,800	58,800	-	(58,800)	26,306	26,306	15,174	(11,132)	-	-	560	560	389,127	389,127	392,449	3,322
Expenditures:																
Current:																
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture/recreation	58,800	58,800	-	58,800	-	-	-	-	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	591,726	640,164	339,532	300,632
Debt service:																
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	58,800	58,800	-	58,800	-	-	-	-	-	-	-	-	591,726	640,164	339,532	300,632
Excess (deficiency) of revenues over expenditures	-	-	-	-	26,306	26,306	15,174	(11,132)	-	-	560	560	(202,599)	(251,037)	52,917	303,954
Other financing sources (uses):																
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(628,224)	(628,224)	(578,315)	49,909	-	-	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(628,224)	(628,224)	(578,315)	49,909	-	-	-	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ (601,918)	\$ (601,918)	\$ (563,141)	\$ 38,777	\$ -	\$ -	\$ 560	\$ 560	\$ (202,599)	\$ (251,037)	\$ 52,917	\$ 303,954
Appropriated beginning fund balance					\$ 902,316	\$ 902,316							\$ 296,518	\$ 296,518		

(8) \$300,398 budgeted as reserve for future appropriation.

(9) \$45,481 budgeted as reserve for future appropriation.

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis.

GENERAL RISK MANAGEMENT – This fund is used to account for the cost of insuring the City in the areas of property and casualty liability, public officials' and law enforcement officers' liability and workers' compensation. Departments of the City are assessed a charge based upon the funding needs of the fund.

GROUP HEALTH RISK MANAGEMENT – This fund was established to account for the cost of the City's self-insurance program for employee medical coverage.

Effective January 1, 1998, the City was no longer self-insured for group health. Beginning in fiscal year 2000, remaining funds in the health insurance trust fund are being appropriated for the purpose of providing health insurance premiums for City employees. The appropriation of funds will be amortized over a minimum of five years.

FLEET MANAGEMENT – This fund is used to account for the costs and funding of providing motor vehicles and heavy equipment to other departments.

CITY OF NORTH MIAMI, FLORIDA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

<u>ASSETS</u>	General Risk Management	Group Health Risk Management	Fleet Management	Totals
Current:				
Cash and cash equivalents	\$ 1,223,769	\$ 250,730	\$ 1,022,204	\$2,496,703
Investments	2,950,000	-	1,200,000	4,150,000
Receivables	9,334	-	16,447	25,781
Due from other funds	212,009	-	-	212,009
Inventories and supplies	-	-	53,920	53,920
Other assets	42,103	-	507	42,610
Total current assets	<u>4,437,215</u>	<u>250,730</u>	<u>2,293,078</u>	<u>6,981,023</u>
Non-current:				
Interfund receivable	618,459	-	-	618,459
Advances to other funds	-	106,688	202,019	308,707
Capital assets:				
Buildings	-	-	110,477	110,477
Improvements	-	-	286,446	286,446
Equipment	6,411	-	11,270,491	11,276,902
Accumulated Depreciation	(3,493)	-	(7,743,155)	(7,746,648)
Total non-current assets	<u>621,377</u>	<u>106,688</u>	<u>4,126,278</u>	<u>4,854,343</u>
Total assets	<u>5,058,592</u>	<u>357,418</u>	<u>6,419,356</u>	<u>11,835,366</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	36,827	-	34,471	71,298
Due to other funds	249,084	-	5,954	255,038
Total current liabilities	<u>285,911</u>	<u>-</u>	<u>40,425</u>	<u>326,336</u>
Non-current:				
Interfund payable	-	-	20,200	20,200
Compensated absences	37,500	-	305,720	343,220
Estimated claims payable	4,735,181	-	-	4,735,181
Total non-current liabilities	<u>4,772,681</u>	<u>-</u>	<u>325,920</u>	<u>5,098,601</u>
Total liabilities	<u>5,058,592</u>	<u>-</u>	<u>366,345</u>	<u>5,424,937</u>
<u>NET ASSETS</u>				
Net assets:				
Invested in capital assets	2,918	-	3,924,259	3,927,177
Unrestricted	(2,918)	357,418	2,128,752	2,483,252
Total net assets	<u>\$ -</u>	<u>\$ 357,418</u>	<u>\$ 6,053,011</u>	<u>\$6,410,429</u>

CITY OF NORTH MIAMI, FLORIDA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	General Risk Management	Group Health Risk Management	Fleet Management	Totals
Operating revenues:				
Motor vehicle charges	\$ -	\$ -	\$ 2,981,676	\$ 2,981,676
Other charges for services	<u>1,646,000</u>	<u>-</u>	<u>17,765</u>	<u>1,663,765</u>
Total operating revenues	<u>1,646,000</u>	<u>-</u>	<u>2,999,441</u>	<u>4,645,441</u>
Operating expenses:				
Personal services	186,195	-	1,061,582	1,247,777
Claims	1,268,000	-	-	1,268,000
Materials, supplies, services and other operating expenses	855,244	-	952,924	1,808,168
Depreciation	<u>4,093</u>	<u>-</u>	<u>1,079,112</u>	<u>1,083,205</u>
Total operating expenses	<u>2,313,532</u>	<u>-</u>	<u>3,093,618</u>	<u>5,407,150</u>
Operating loss	<u>(667,532)</u>	<u>-</u>	<u>(94,177)</u>	<u>(761,709)</u>
Non-operating revenues:				
Interest income	42,500	21,399	29,754	93,653
Miscellaneous	<u>320,283</u>	<u>-</u>	<u>97,460</u>	<u>417,743</u>
Total non-operating revenues	<u>362,783</u>	<u>21,399</u>	<u>127,214</u>	<u>511,396</u>
Income (loss) before contributions and transfers	(304,749)	21,399	33,037	(250,313)
Capital contributions	-	-	19,100	19,100
Transfers in	314,250	-	111,024	425,274
Transfers out	<u>(9,501)</u>	<u>(1,143,767)</u>	<u>(46,007)</u>	<u>(1,199,275)</u>
	<u>304,749</u>	<u>(1,143,767)</u>	<u>84,117</u>	<u>(754,901)</u>
Net income (loss)	-	(1,122,368)	117,154	(1,005,214)
Net assets, beginning	<u>-</u>	<u>1,479,786</u>	<u>5,935,857</u>	<u>7,415,643</u>
Net assets, ending	<u>\$ -</u>	<u>\$ 357,418</u>	<u>\$ 6,053,011</u>	<u>\$ 6,410,429</u>

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	General Risk <u>Management</u>	General Health Risk <u>Management</u>	Fleet <u>Management</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers, including cash deposits	\$ 320,283	\$ 75	\$ 22,337	\$ 342,695
Interfund services provided and used	2,782,091	-	2,924,969	5,707,060
Gasoline tax refund	-	-	30,577	30,577
Cash payments to suppliers	(856,550)	-	(913,920)	(1,770,470)
Claim payments	(1,203,938)	-	-	(1,203,938)
Cash payments to employees	(185,833)	-	(1,027,199)	(1,213,032)
Net cash provided by operating activities	<u>856,053</u>	<u>75</u>	<u>1,036,764</u>	<u>1,892,892</u>
Cash flows from non-capital financing activities:				
Repayment of interfund loans	-	111,039	39,663	150,702
Interfund payables	-	-	(1,806)	(1,806)
Transfers to other funds	304,748	(1,143,767)	22,993	(816,026)
Grant proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>304,748</u>	<u>(1,032,728)</u>	<u>60,850</u>	<u>(667,130)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(3,942)	-	(937,815)	(941,757)
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>61,715</u>	<u>61,715</u>
Net cash used by capital and related financing activities	<u>(3,942)</u>	<u>-</u>	<u>(876,100)</u>	<u>(880,042)</u>
Cash flows from investing activities:				
Proceeds from sale of investments	200,000	100,000	500,000	800,000
Purchase of investments	(1,900,000)	-	(400,000)	(2,300,000)
Interest received	<u>35,279</u>	<u>21,537</u>	<u>28,572</u>	<u>85,388</u>
Net cash provided (used) by investing activities	<u>(1,664,721)</u>	<u>121,537</u>	<u>128,572</u>	<u>(1,414,612)</u>
Net increase (decrease) in cash and cash equivalents	(507,862)	(911,116)	350,086	(1,068,892)
Cash and cash equivalents, beginning	<u>1,731,631</u>	<u>1,161,846</u>	<u>672,118</u>	<u>3,565,595</u>
Cash and cash equivalents, ending	<u>\$ 1,223,769</u>	<u>\$ 250,730</u>	<u>\$ 1,022,204</u>	<u>\$ 2,496,703</u>

CITY OF NORTH MIAMI, FLORIDA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	General Risk <u>Management</u>	Group Health Risk <u>Management</u>	Fleet <u>Management</u>	<u>Totals</u>
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (667,532)	\$ -	\$ (94,177)	\$ (761,709)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	4,093	-	1,079,112	1,083,205
Other income	320,283	75	36,822	357,180
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Miscellaneous receivables	-	-	(1,673)	(1,673)
Inventories	-	-	11,951	11,951
Due from other funds	166,262	-	-	166,262
Interfund receivables	723,865	-	-	723,865
Other assets	(9,914)	-	(507)	(10,421)
Increase (decrease) in:				
Accounts payable	5,488	-	(29,147)	(23,659)
Accrued liabilities	684	-	1,055	1,739
Estimated claims payable	64,062	-	-	64,062
Compensated absences	(606)	-	32,869	32,263
Due to other funds	249,084	-	-	249,084
Accrued payroll deductions	284	-	459	743
Total adjustments	<u>1,523,585</u>	<u>75</u>	<u>1,130,941</u>	<u>2,654,601</u>
Net cash provided by operating activities	<u>\$ 856,053</u>	<u>\$ 75</u>	<u>\$ 1,036,764</u>	<u>\$ 1,892,892</u>

Non-cash transactions:

During 2003, the Fleet Management Fund received contributed assets from the City valued at \$54,024.

Note: All short-term investments are reported at cost, which approximates fair value, therefore, there is no change in the fair value of investments.

PENSION TRUST FUNDS

THE CTS AND 748 PENSION PLANS — These funds are used to account for the accumulation of resources to be used for retirement benefits to City employees. Resources are contributed by employees (at rates fixed by law) and by the City (at amounts determined by actuarial valuations).

CITY OF NORTH MIAMI, FLORIDA

PENSION TRUST FUNDS COMBINING STATEMENT OF FIDUCIARY NET ASSETS SEPTEMBER 30, 2003

	<u>CTS</u> <u>Plan</u>	<u>748</u> <u>Plan</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 1,648,974	\$ 708,645	\$ 2,357,619
Investments, at fair value:			
U.S. Treasury bonds and notes	5,268,527	1,933,436	7,201,963
U.S. Agency obligations	4,229,189	1,957,261	6,186,450
Municipal bonds	20,686	-	20,686
Corporate bonds	8,399,188	4,010,653	12,409,841
Common stock	28,716,073	11,509,004	40,225,077
Total investments	<u>46,633,663</u>	<u>19,410,354</u>	<u>66,044,017</u>
Receivables:			
Plan member contributions	29,056	11,931	40,987
Miami-Dade County	33,052	-	33,052
CNM Police Share Plan	5,762	70,407	76,169
Receivable from broker on investments sold	106,299	8,577	114,876
Accrued interest	198,237	97,143	295,380
Accrued dividends	24,927	14,215	39,142
Total receivables	<u>397,333</u>	<u>202,273</u>	<u>599,606</u>
Total assets	<u>48,679,970</u>	<u>20,321,272</u>	<u>69,001,242</u>
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Accounts payable	52,154	11,454	63,608
Benefits payable	1,569	605	2,174
Payable to broker for investments purchased	83,813	4,491	88,304
Total liabilities	<u>137,536</u>	<u>16,550</u>	<u>154,086</u>
Net assets held in trust for pension benefits	<u>\$48,542,434</u>	<u>\$20,304,722</u>	<u>\$68,847,156</u>

CITY OF NORTH MIAMI, FLORIDA

PENSION TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>CTS</u> <u>Plan</u>	<u>748</u> <u>Plan</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employer	\$ 1,030,733	\$ 332,042	\$ 1,362,775
Plan members	1,128,384	428,131	1,556,515
County	54,953	-	54,953
Other	164	17,781	17,945
Total contributions	<u>2,214,234</u>	<u>777,954</u>	<u>2,992,188</u>
Investment income:			
Net appreciation in fair value of investments	4,633,196	1,761,759	6,394,955
Interest	969,075	457,289	1,426,364
Dividends	467,520	221,367	688,887
	<u>6,069,791</u>	<u>2,440,415</u>	<u>8,510,206</u>
Less investment expenses	272,231	111,508	383,739
Net investment income	<u>5,797,560</u>	<u>2,328,907</u>	<u>8,126,467</u>
Total additions	<u>8,011,794</u>	<u>3,106,861</u>	<u>11,118,655</u>
DEDUCTIONS			
Benefits paid directly to participants:			
Disability retirement	64,540	97,899	162,439
Death benefit	-	46,618	46,618
Normal retirement	2,079,159	31,182	2,110,341
Lump sum retirement	3,100,694	2,162,378	5,263,072
Refunds of contributions	169,523	23,893	193,416
	<u>5,413,916</u>	<u>2,361,970</u>	<u>7,775,886</u>
Administrative expenses	137,341	63,451	200,792
Total deductions	<u>5,551,257</u>	<u>2,425,421</u>	<u>7,976,678</u>
Net increase in net assets	2,460,537	681,440	3,141,977
Net assets, beginning	<u>46,081,897</u>	<u>19,623,282</u>	<u>65,705,179</u>
Net assets, ending	<u>\$48,542,434</u>	<u>\$20,304,722</u>	<u>\$68,847,156</u>

Celebrating Life, Liberty & Freedom



Teen volunteers painted every day of their spring break, 9 AM - 3 PM.



Teens In Action, with Crystal (in blue) on last day of painting.



Detail



Artist & teens at dedication ceremony on May 22, 2003

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CITY OF NORTH MIAMI, FLORIDA

TABLE 1

GOVERNMENT-WIDE EXPENSES BY FUNCTION (1) LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities									Business-type Activities			Total
	General Government	Public Works	Highways and Streets	Public Safety	Culture / Recreation	Community Planning & Development	(2) Physical Environment	Economic Environment	Interest & Fiscal Charges	Water & Sewer	Solid Waste	Stormwater	
2002	\$12,594,194	\$761,565	\$2,177,758	\$11,748,202	\$5,336,611	\$2,725,694	\$849,320	\$144,329	\$1,085,047	\$17,291,430	\$5,440,595	\$1,474,832	\$61,629,577
2003	11,966,789	836,404	2,289,964	12,716,830	5,515,862	3,343,428	19,580,993	1,314,193	1,365,061	17,952,760	5,291,596	1,510,072	83,683,952

(1) Information for Fiscal Year End 1994 - 2001 is unavailable.

(2) Pursuant to an updated remediation and landfill closure cost projection completed in 2003, fiscal year 2003 expenses reflect an additional estimated liability of \$19.3 million. This liability will be funded by a grant to be received from Miami-Dade County.

CITY OF NORTH MIAMI, FLORIDA

TABLE 2

GOVERNMENT-WIDE REVENUES (1)

LAST TEN FISCAL YEARS

Program Revenues				General Revenues			
<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes (2)</u>	<u>Unrestricted Investment Earnings</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$28,348,413	\$10,097,856	\$ 975,692	\$18,954,928	\$ 770,022	\$ 533,074	\$59,679,985
2003	29,924,310	11,317,404	905,158	19,517,808	574,766	2,152,608	64,392,054

(1) Information for Fiscal Year End 1994 - 2001 is unavailable.

(2) Includes property taxes, utility taxes, franchise fees and communication service tax. Fiscal year 2002 revenue has been restated to reclassify state shared revenues from taxes to operating grants and contributions.

CITY OF NORTH MIAMI, FLORIDA

TABLE 3

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

LAST TEN FISCAL YEARS

Fiscal Year	(2) General Government	Public Works	Capital Outlay	Public Safety	(3) Culture / Recreation	(4) Building & Zoning	(5) Debt Service	(4) Planning and Economic Development	Grants / Aids	Physical Environment	Economic Environment	Totals
1994	\$ 8,235,533	\$ 1,647,352	\$ 2,472,853	\$ 7,057,314	\$ 4,029,078	\$ 869,225	\$ 1,628,079	\$ 351,524	\$ 227,397	\$ -	\$ -	\$ 26,518,355
1995	7,557,713	1,576,465	3,464,343	7,641,267	4,234,390	928,562	1,411,734	574,165	272,366	-	-	27,661,005
1996	8,295,286	1,617,909	3,277,848	8,239,323	4,381,939	1,010,421	1,416,282	649,092	344,233	202,906	4,675	29,439,914
1997	8,471,369	1,541,852	1,197,982	8,581,670	4,614,223	-	13,972,752	1,568,566	504,086	193,754	5,425	40,651,679
1998	7,237,875	1,477,987	1,417,132	8,814,805	4,866,029	-	3,047,734	1,553,573	950,376	469,386	4,209	29,839,106
1999	7,342,359	1,545,641	2,972,285	9,517,309	4,979,691	-	3,240,986	1,709,563	868,791	791,490	1,951	32,970,066
2000	8,233,240	1,576,789	2,535,686	10,403,929	5,092,193	-	3,236,179	1,835,786	712,621	1,300,554	103,235	35,030,212
2001	9,758,489	1,806,330	1,669,470	10,435,664	5,512,454	-	2,300,204	1,864,953	859,768	415,416	6,444	34,629,192
2002	11,930,162	1,831,985	2,066,964	11,545,807	5,492,566	-	2,525,952	2,234,281	900,590	828,989	32,189	39,389,485
2003	10,701,482	1,922,398	1,025,287	12,146,198	6,008,020	-	2,898,587	2,202,810	2,856,274	262,161	57,734	40,080,951

(1) Includes general fund, special revenue funds and debt service funds; excludes capital projects and expendable trust funds (GAAP basis).

Beginning in fiscal year 2002, public safety and capital outlay expenditures include expenditures previously accounted for in expendable trust funds. All expendable trust funds were reclassified to special revenue funds with the implementation of GASB 34.

(2) In 2003, general government included on behalf payments of \$166,530.

(3) In fiscal year 2003, museum operations are included as culture/recreation. Prior to 2003, museum operations were reflected as "transfer to component unit".

(4) In fiscal year 1997, these were combined under one budgetary level of control entitled Community Planning and Development in the General fund.

(5) In fiscal year 1997, this includes \$11,412,917 in bond proceeds that were contributed to the City's two defined benefit pension plans for the discharge of the unfunded actuarial accrued liabilities.

CITY OF NORTH MIAMI, FLORIDA

TABLE 4

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>(2) Taxes</u>	<u>Licenses and Permits</u>	<u>(3) Inter- Governmental Revenues</u>	<u>(4) Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Other</u>	<u>Totals</u>
1994	\$ 14,955,844	\$ 909,227	\$ 4,790,507	\$ 3,007,166	\$ 178,240	\$ 3,453,291 (5)	\$ 27,294,275
1995	15,388,002	837,461	6,060,920	3,300,485	257,986	1,831,190 (6)	27,676,044
1996	16,373,730	854,497	5,737,134	3,478,334	294,877	798,802	27,537,374
1997	16,517,265	854,755	5,905,897	3,670,658	273,701	1,153,627	28,375,903
1998	17,053,937	837,967	6,878,804	3,757,804	270,701	1,255,703	30,054,916
1999	17,836,782	828,579	7,800,732	3,940,979	240,757	962,959	31,610,788
2000	18,256,591	851,649	8,021,068	4,081,419	281,213	739,039	32,230,979
2001	18,628,549	829,921	7,655,752	4,811,068	321,897	679,781	32,926,968
2002	19,853,136	925,688	8,943,565	5,139,702	700,027	543,291	36,105,409
2003	20,434,363	1,183,969	9,950,617	6,027,983	766,495	1,887,969	40,251,396

(1) Includes general, special revenue and debt service funds; excludes capital projects and expendable trust funds (GAAP basis).

Beginning in fiscal year 2002, intergovernmental, fines and forfeitures, and other revenues include revenues previously accounted for in expendable trust funds. All expendable trust funds were reclassified to special revenue funds with the implementation of GASB 34.

(2) Includes property taxes, sales and use taxes, franchise fees, utility service taxes, and communication service tax.

(3) Includes grants and intergovernmental shared revenues.

(4) Primarily includes revenues from interfund services provided and used.

(5) Includes approximately \$2,111,000 in proceeds from the sale of land and \$900,000 in proceeds from litigation settlement.

(6) Includes approximately \$271,000 in proceeds from the sale of land.

CITY OF NORTH MIAMI, FLORIDA

TABLE 5

PROPERTY TAX LEVIES AND COLLECTIONS (1)

LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (2)	Current Tax Collected	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1994	\$9,597,118	\$8,915,156	92.89	\$ 73,525	\$8,988,681	93.66
1995	9,834,226	9,305,258	94.62	94,003	9,399,261	95.58
1996	10,715,956	10,109,944	94.34	136,892	10,246,836	95.62
1997	10,823,741	10,182,625	94.08	59,042	10,241,667	94.62
1998	11,024,259	10,461,639	94.90	170,122	10,631,761	96.44
1999	11,050,487	10,600,534	95.93	115,903	10,716,437	96.98
2000	11,608,639	10,992,751	94.69	130,503	11,123,254	95.82
2001	11,356,172	10,762,383	94.77	184,170	10,946,553	96.39
2002	12,242,231	11,625,171	94.96	159,854	11,785,025	96.27
2003	13,088,588	12,460,129	95.20	115,732	12,575,861	96.08

Source: Miami-Dade County Property Appraiser and internally generated data.

(1) Includes levies and collections for personal and real properties.

(2) Includes levies for general operations, library, and debt service. Subsequent to 1999, library services are included in general operations.

CITY OF NORTH MIAMI, FLORIDA

TABLE 6

ASSESSED VALUE OF ALL TAXABLE PROPERTY (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed Property</u>	<u>Taxable Gross Total</u>	<u>Real Estate Adjustments</u>	<u>Net Assessed Property Value</u>
1994	\$ 969,708,296	\$ 117,954,465	\$ 445,913	\$ 1,088,108,674	\$ 2,934,707	\$ 1,085,173,967
1995	1,020,380,892	94,007,945	602,751	1,114,991,588	12,014,698	1,102,976,890
1996	1,064,895,883	99,896,576	618,789	1,165,411,248	7,537,158	1,157,874,090
1997	1,071,041,444	111,019,957	602,562	1,182,663,963	9,204,014	1,173,459,949
1998	1,097,530,218	111,324,898	608,223	1,209,463,339	9,336,728	1,200,126,611
1999	1,133,445,837	112,171,309	779,442	1,246,396,588	9,302,670	1,237,093,918
2000	1,152,380,189	131,273,575	771,791	1,284,425,555	10,121,113	1,274,304,442
2001	1,189,062,896	115,288,424	805,782	1,305,157,102	9,088,509	1,296,068,593
2002	1,266,127,069	120,578,899	830,144	1,387,536,112	15,469,107	1,372,067,005
2003	1,376,538,211	114,867,426	851,583	1,492,257,220	13,364,987	1,478,892,233

Source: Miami-Dade County Property Appraiser

(1) The basis of assessed value is approximately 100% of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding year.

CITY OF NORTH MIAMI, FLORIDA

TABLE 7

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUATION)

LAST TEN FISCAL YEARS

Fiscal Year	<u>City of North Miami</u>			<u>Miami-Dade County</u>			School District	State	Total Millage
	Operating Millage(1)	Debt Service Millage	Total	Operating Millage	Debt Service Millage	Total			
1994	7.302	1.518	8.820	10.399	0.830	11.229	9.923	0.648	30.620
1995	7.512	1.308	8.820	9.757	0.826	10.583	10.345	0.546	30.294
1996	7.962	1.233	9.195	9.446	0.829	10.275	10.389	0.587	30.446
1997	7.935	1.217	9.152	9.156	0.832	9.988	10.366	0.710	30.216
1998	7.931	1.184	9.115	8.673	1.004	9.677	10.462	0.747	30.001
1999	7.831	1.169	9.000	8.887	0.837	9.724	10.160	0.744	29.628
2000	7.930	1.108	9.038	8.561	0.816	9.377	9.644	0.741	28.800
2001	8.350	0.351	8.701	8.503	0.652	9.155	9.617	0.738	28.211
2002	8.500	0.323	8.823	8.465	0.552	9.017	9.376	0.736	27.952
2003	8.500	0.271	8.771	8.550	0.390	8.940	9.252	0.736	27.699

Source: Miami-Dade County Property Appraiser.

(1) Includes general operations and library.

CITY OF NORTH MIAMI, FLORIDA

TABLE 8

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Total Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
Stellar Biscayne	Real Estate Rentals	\$ 43,500,000	2.94%
Florida Power & Light Corporation	Utility	26,040,030	1.76%
Greenwich Village Associates, Ltd.	Rental Apartments	20,900,000	1.41%
Center Court Associates LTD	Rental Apartments	14,611,846	0.99%
Tropicana Investors Inc.	Real Estate Invest. Trust	14,707,121	0.99%
ABC Distributing	Wholesale Distribution	12,797,896	0.87%
BellSouth Corporation	Utility	11,226,993	0.76%
127th Street Shopping Center, Inc.	Shopping Mall	10,701,689	0.72%
Causeway Plaza	Shopping Mall-retail outlet	9,715,667	0.66%
Drew Investment	Real Estate Rentals	<u>7,838,187</u>	<u>0.53%</u>
Totals		<u>\$ 172,039,429</u>	<u>11.63%</u>

Source: Miami-Dade County Property Appraiser

CITY OF NORTH MIAMI, FLORIDA

TABLE 9

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	(1) <u>Population*</u>	(2) <u>Assessed Value*</u>	(3) <u>Gross Bonded Debt*</u>	(4) <u>Less Debt Service Fund*</u>	<u>Net Bonded Debt*</u>	Ratio of Net Debt to Assessed <u>Value</u>	Net Bonded Debt Per <u>Capita</u>
1994	50	\$ 1,085,174	\$ 9,620	\$ -	\$ 9,620	0.89	192
1995	51	1,102,977	8,745	10	8,735	0.80	171
1996	51	1,157,874	7,830	17	7,813	0.67	153
1997	50	1,173,460	6,875	11	6,864	0.58	137
1998	50	1,200,127	5,875	21	5,854	0.49	117
1999	50	1,237,094	4,820	32	4,788	0.39	96
2000	60	1,274,304	3,720	14	3,706	0.29	62
2001	60	1,296,069	3,500	10	3,490	0.27	58
2002	60	1,372,067	3,335	37	3,298	0.24	55
2003	60	1,478,892	3,060	-	3,060	0.21	51

*Amounts expressed in thousands.

Source: City of North Miami Finance Department.

(1) From Table 13.

(2) From Table 6.

(3) Amount does not include special obligation bonds payable. All general obligation bonded debt is expected to be repaid through general governmental resources.

(4) Amount available for repayment of FMLC loan (general obligation debt).

CITY OF NORTH MIAMI, FLORIDA

TABLE 10

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES*

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest (2)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (3)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1994	\$ 900	\$ 728	\$ 1,628	\$ 26,518	6.14
1995	925	487	1,412	27,661	5.10
1996	930	486 (4)	1,416	29,440	4.81
1997	1,832	728 (5)	2,560	40,652	6.30
1998	1,843	1,205	3,048	29,839	10.21
1999	1,941	1,300	3,241	32,970	9.83
2000	2,030	1,233 (6)	3,263	35,030	9.31
2001	1,196	1,104	2,300	34,629	6.64
2002	380	1,130 (7)	1,510	39,389	3.83
2003	375	1,518 (8)	1,893	40,081	4.72

*Amounts expressed in thousands.

(1) Includes debt service for general obligation and special obligation debt.

(2) Includes debt issuance and other costs.

(3) From Table 3.

(4) Includes debt issuance costs of approximately \$33,000.

(5) Includes debt issuance costs of approximately \$176,000.

(6) Includes debt issuance costs of approximately \$27,000.

(7) Includes debt issuance costs of approximately \$59,436.

(8) Includes debt issuance costs of \$422,662.

CITY OF NORTH MIAMI, FLORIDA

TABLE 11

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT GENERAL OBLIGATION BONDS (1)

SEPTEMBER 30, 2003

(IN THOUSANDS)

<u>Jurisdiction</u>	<u>Taxable Property Value</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable To North Miami</u>	<u>Amount Applicable To North Miami</u>
Direct:				
City of North Miami (1)	\$ 1,478,892	\$ 3,060	100.00%	\$ 3,060
Overlapping:				
Miami-Dade County (2)	129,707,285	242,087	1.14% (4)	2,760
Miami-Dade County Schools (3)	114,945,605	<u>725,418</u>	1.29% (4)	<u>9,358</u>
Total Overlapping Debt		<u>967,505</u>		<u>12,118</u>
Total Direct and Overlapping Debt		<u>\$ 970,565</u>		<u>\$ 15,178</u>

(1) Excludes the City of North Miami's special obligation bonds which are not payable from property taxes (see Table 9).

(2) Source: Miami-Dade County Finance Department - Taxable Property Value reflects January 1, 2003 amounts and Net General Obligation Bonded Debt Outstanding figures are as of September 30, 2003.

(3) Source: School Board of Miami-Dade County Division of Accounting - Taxable Property Value reflects September 30, 2002 amounts and Net General Obligation Bonded Debt Outstanding figures are as of June 30, 2003.

(4) Based on the percentage of the County's/School Board's tax roll valuation comprised of real and personal property situated in the City of North Miami.

CITY OF NORTH MIAMI, FLORIDA

TABLE 12

SCHEDULE OF REVENUE BOND COVERAGE

WATER & SEWER ENTERPRISE FUND

LAST TEN FISCAL YEARS

(IN THOUSANDS)

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest (3)		
1994	\$ 12,799	\$ 10,536	\$ 2,263	\$ 500	\$ 339	\$ 839	2.69
1995	13,608	11,933	1,675	345	323	668	2.50
1996	15,247	12,460	2,787	355	310	665	4.19
1997	14,983	14,116	867	370	294	664	1.30
1998	15,355	13,273	2,082	385	278	663	3.14
1999	15,766	14,439	1,327	395	262	657	2.01
2000	17,212	14,374	2,838	415	245	660	4.29
2001	16,236	14,917	1,319	430	228	658	2.00
2002	16,478	15,889	589	450	210	660	0.89
2003	16,458	16,594	(136)	465	191	656	(0.21)

(1) Total operating revenues, plus interest income and operating grants.

(2) Total operating expenses exclusive of depreciation.

(3) Including fiscal charges.

CITY OF NORTH MIAMI, FLORIDA

TABLE 13

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	(2) Per Capita Income	(3) Median Age	(4) Unemployment Rate Percentage	<u>CITY POPULATION BY AGE GROUP - 2000 (5)</u>	
					<u>Years</u>	
					14 and under	14,046
					15-24	9,516
					25-34	9,438
1994	50,405	\$ 13,297	N/A	8.6	35-44	9,609
					45-54	7,490
1995	50,758	13,297	N/A	7.3	55-64	4,271
					65 and over	5,510
1996	50,757	13,297	N/A	8.0	Total	<u>59,880</u>
1997	50,393	13,297	N/A	7.7	<u>EMPLOYED PERSONS BY INDUSTRY - 2000 (6)</u>	
1998	50,258	13,297	N/A	6.9	<u>Industry</u>	
					Contract construction	1,165
1999	50,393	13,297	N/A	6.2	Manufacturing and extraction	1,425
					Transportation and utilities	1,639
2000	59,880	14,581	N/A	5.9	Retail trade	3,002
					Wholesale trade	859
2001	59,880	14,581	32	6.8	Educational services	4,909
					Other professional & related services	6,453
2002	59,996	14,581	N/A	7.9	Other services	1,504
					Finance, Insurance & real estate	1,801
2003	60,069	14,581	N/A	7.8	Public administration	<u>802</u>
					Total Workers, 16 years old & over	<u>23,559</u>

(1) University of Florida, Bureau of Economic & Business Research (Except in 2000 - U.S. Census Bureau, Census 2000).

(2) Data for 1994-1999 and 2000-2003 based on U.S. Census of Population 1990 and 2000 respectively.

(3) U.S. Census Bureau, Census 2000.

(4) Florida Department of Labor and Employment Security, Bureau of Labor Market Information, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

(5) U.S. Census Bureau, Census 2000.

(6) U.S. Census of Population 2000

CITY OF NORTH MIAMI, FLORIDA

TABLE 14

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Permits Issued</u>	<u>New Construction Value (1)</u>		<u>Total</u>	<u>Bank Deposits (2)(3) (000)'s</u>	<u>Real Property Values (4)</u>	
		<u>Commercial</u>	<u>Residential</u>			<u>Commercial</u>	<u>Residential</u>
1994	710	\$ 8,436,500	\$ 5,364,662	\$ 13,801,162	\$ 32,982,168	\$ 215,655,468	\$ 754,052,828
1995	379	5,571,100	3,095,985	8,667,085	33,457,237	226,524,558	793,856,334
1996	834	4,516,415	3,196,422	7,712,837	34,662,307	236,406,886	828,488,997
1997	797	7,405,756	3,263,310	10,669,066	34,080,865	238,392,097	832,649,347
1998	767	5,571,813	3,557,590	9,129,403	36,229,658	240,603,748	856,926,470
1999	838	3,273,128	2,951,775	6,224,903	39,633,149	249,523,948	883,921,889
2000	804	6,210,772	3,110,675	9,321,447	40,542,573	251,112,285	901,267,904
2001	824	4,986,919	3,233,587	8,220,506	45,063,851	276,101,935	912,960,961
2002	876	2,435,175	8,018,376	10,453,551	51,297,297	288,793,163	977,333,906
2003	766	5,341,832	6,851,373	12,193,205	40,542,573	303,538,226	1,072,999,985

(1) Source: City of North Miami's internal data. Certain building permits have been excluded for not being "new construction" types.

(2) Florida Bankers' Association. The information presented is for Miami-Dade County as a whole which includes the City of North Miami.

(3) Deposits for years 1994-1999 have been restated to include all FDIC insured banks as of June 30th.

(4) Source: Miami-Dade County Property Appraiser. Real property values for 1995-1999 have been restated.

CITY OF NORTH MIAMI, FLORIDA

TABLE 15

MISCELLANEOUS STATISTICS

SEPTEMBER 30, 2003

Date of incorporation	1926
Form of government	Council/Manager
Number of employees (excluding police and fire):	
Classified	331
Unclassified	20
Part Time	25
Area in square miles	9.44
City of North Miami's facilities and services:	
Miles of streets	136
Number of street lights	2,680
Culture and recreation:	
Community centers	6
Parks	26
Park acreage	561
Library	1
Swimming pools	2
Tennis courts	28
Museums	1
Outdoor roller rink	1
Water playgrounds	2
Fire protection (provided by Miami-Dade County):	
Number of stations	2
Number of fire personnel and officers	72
Number of calls answered	7,742
Police protection:	
Number of stations	1
Number of police officers and civilian personnel	170
Number of patrol units	66
Number of calls for service	48,281
Number of law violations:	
Physical arrests	1,770
Traffic citations	9,147
Parking citations	2,371
Boating citations	116
Sewerage system:	
Miles of sanitary sewers	152
Number of service connections	12,330
Miles of storm sewers	23.1
Water treatment plants (the City utilizes, Miami-Dade County Plant):	
Daily average treatment in gallons	8,500,000
Water system:	
Miles of water mains	303.5
Number of service connections	19,954
Number of fire hydrants	858
Daily average consumption in gallons	11,510,000
Maximum daily capacity of plant in gallons	9,300,000
Other services:	
Education:	
Number of elementary schools	6
Number of elementary school instructors	390
Number of secondary schools	2
Number of secondary school instructors	175
Number of universities	2

CITY OF NORTH MIAMI, FLORIDA

TABLE 16

FISCAL YEAR BUDGETED AND HISTORIC NON-AD VALOREM FUNDS

FISCAL YEAR ENDED SEPTEMBER 30

<u>Sources of Funds</u>	<u>2004</u> <u>(Budgeted)</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General government funds (1):						
Franchise fees (5)	\$ 2,508,950	\$ 2,706,832	\$ 2,455,206	\$ 2,954,186	\$ 2,510,282	\$ 2,396,781
Utility taxes	2,474,300	2,521,258	2,428,414	3,923,039	3,840,332	3,999,564
Communication service tax	1,700,000	1,713,857	2,286,283	-	-	-
Sales and use taxes	826,319	916,555	898,208	804,771	782,723	724,000
Licenses and permits	2,057,516	1,183,969	925,688	829,921	851,649	828,579
Intergovernmental revenues (2)	12,705,842	8,784,087	7,764,497	6,482,423	6,893,451	6,664,953
Charges for services (3)	6,049,387	6,027,983	5,139,702	4,811,068	4,081,419	3,940,979
Fines and forfeitures	295,653	766,495	700,027	321,897	281,213	240,757
Other	<u>1,294,797</u>	<u>1,887,969</u>	<u>543,291</u>	<u>679,781</u>	<u>739,039</u>	<u>962,959</u>
Total general government non-ad valorem funds	<u>29,912,764</u>	<u>26,509,005</u>	<u>23,141,316</u>	<u>20,807,086</u>	<u>19,980,108</u>	<u>19,758,572</u>
Enterprise funds (4):						
Water and sewer utility	17,639,393	16,211,044	15,957,226	15,584,552	16,512,555	15,281,623
Solid waste services	6,216,994	4,801,765	4,804,527	4,455,651	4,674,009	4,604,384
Stormwater utility	<u>1,984,527</u>	<u>914,741</u>	<u>899,226</u>	<u>890,762</u>	<u>878,531</u>	<u>878,373</u>
Total enterprise funds						
Non-ad valorem funds	<u>25,840,914</u>	<u>21,927,550</u>	<u>21,660,979</u>	<u>20,930,965</u>	<u>22,065,095</u>	<u>20,764,380</u>
Total non-ad valorem funds	<u>\$55,753,678</u>	<u>\$48,436,555</u>	<u>\$44,802,295</u>	<u>\$41,738,051</u>	<u>\$42,045,203</u>	<u>\$40,522,952</u>

(1) Includes general fund, special revenue funds and debt service funds; excludes capital project funds.

(2) This category does not include grants to be paid by Miami-Dade County and on-behalf payments.

(3) Includes interfund services provided and used.

(4) Only operating revenues are shown.

(5) Fiscal year 2002 revenue for franchise fees has been restated to reclassify communication service tax revenue to a separate category.

CITY OF NORTH MIAMI, FLORIDA

TABLE 17

DEBT SERVICE REQUIREMENTS AND COVERAGE OUTSTANDING AND PROPOSED PAYABLE FROM NON-AD VALOREM FUNDS

	Outstanding		Pension Obligation Bonds (3)			Total	Non-Ad	Coverage
Fiscal	Debt					Principal	Valorem	Ratio
<u>Year</u>	<u>Service (1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Debt Service</u>	<u>Funds (2)</u>	<u>Percentage</u>	
2004	\$ 4,149,170	\$ 160,000	\$ 1,041,383	\$ 1,201,383	\$ 5,350,553	\$ 55,753,678	10.42	
2005	3,406,335	170,000	1,029,633	1,199,633	4,605,968	55,753,678	12.10	
2006	766,788	175,000	1,017,453	1,192,453	1,959,241	55,753,678	28.46	
2007	440,138	190,000	1,004,696	1,194,696	1,634,834	55,753,678	34.10	
2008	435,800	205,000	990,979	1,195,979	1,631,779	55,753,678	34.17	
2009	435,575	225,000	975,845	1,200,845	1,636,420	55,753,678	34.07	
2010	439,200	240,000	959,559	1,199,559	1,638,759	55,753,678	34.02	
2011	437,200	255,000	942,165	1,197,165	1,634,365	55,753,678	34.11	
2012	434,700	275,000	923,712	1,198,712	1,633,412	55,753,678	34.13	
2013	436,575	300,000	903,504	1,203,504	1,640,079	55,753,678	33.99	
2014	437,344	320,000	881,774	1,201,774	1,639,118	55,753,678	34.01	
2015	436,987	345,000	858,492	1,203,492	1,640,479	55,753,678	33.99	
2016	435,844	370,000	833,517	1,203,517	1,639,361	55,753,678	34.01	
2017	433,912	395,000	806,545	1,201,545	1,635,457	55,753,678	34.09	
2018	436,063	425,000	777,852	1,202,852	1,638,915	55,753,678	34.02	
2019	432,294	455,000	746,988	1,201,988	1,634,282	55,753,678	34.12	
2020	433,569	490,000	713,973	1,203,973	1,637,542	55,753,678	34.05	
2021	434,806	525,000	678,276	1,203,276	1,638,082	55,753,678	34.04	
2022	435,094	565,000	640,123	1,205,123	1,640,217	55,753,678	33.99	
2023	-	605,000	599,090	1,204,090	1,204,090	55,753,678	46.30	
2024	-	655,000	555,084	1,210,084	1,210,084	55,753,678	46.07	
2025	-	700,000	507,458	1,207,458	1,207,458	55,753,678	46.17	
2026	-	755,000	456,542	1,211,542	1,211,542	55,753,678	46.02	
2027	-	810,000	401,682	1,211,682	1,211,682	55,753,678	46.01	
2028	-	865,000	342,938	1,207,938	1,207,938	55,753,678	46.16	
2029	-	930,000	279,998	1,209,998	1,209,998	55,753,678	46.08	
2030	-	1,000,000	212,394	1,212,394	1,212,394	55,753,678	45.99	
2031	-	1,075,000	139,693	1,214,693	1,214,693	55,753,678	45.90	
2032	-	1,155,000	61,560	1,216,560	1,216,560	55,753,678	45.83	
	<u>\$ 15,297,394</u>	<u>\$ 14,635,000</u>	<u>\$ 20,282,908</u>	<u>\$ 34,917,908</u>	<u>\$ 50,215,302</u>			

(1) This assumes that total debt service on these bonds are paid from Non-Ad Valorem Funds (See Table 18).

(2) This reflects the budgeted funds available for the fiscal year ending September 30, 2004 from General Government Non-Ad Valorem Funds and Enterprise Funds. Non-Ad Valorem Funds (See Table 16).

(3) In October 2002, \$14,735,000 in Taxable Special Obligation Refunding Bonds-Series 2002 (Pension) were issued to current refund \$11,755,000 of outstanding Taxable Special Obligation Bonds (Pension) 1997.

CITY OF NORTH MIAMI, FLORIDA

TABLE 18

DEBT SERVICE PAYABLE FROM PORTIONS OF THE NON-AD VALOREM FUNDS

<u>Year</u>	Water and Sewer Revenue Bonds (1)	\$9.5 Million Promissory Note (2)	FMLC Series 2001A Stormwater Utility Revenue Bonds (3)	<u>Total</u>
2004	\$2,710,320	\$1,000,000	\$ 438,850	\$ 4,149,170
2005	1,969,110	1,000,000	437,225	3,406,335
2006	-	327,651	439,137	766,788
2007	-	-	440,138	440,138
2008	-	-	435,800	435,800
2009-2022	-	-	6,099,163	6,099,163
	<u>\$4,679,430</u>	<u>\$2,327,651</u>	<u>\$ 8,290,313</u>	<u>\$15,297,394</u>

(1) Includes outstanding Water and Sewer Revenue Bonds, Series 1964 and Series 1965.

(2) In fiscal year 2000, the City issued a promissory note in the principal amount of not to exceed \$9.5 million to finance the cost of environmental remediation at and closure of the City's Munisport site. As of September 30, 2003 approximately \$2.3 million was outstanding on this loan.

(3) In November 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000. The purpose of the loan is to finance capital improvements to the City's stormwater system. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC Revenue Bonds, Series 2001A).

Source: City of North Miami, Florida Finance Department.

Focused On The Future



Major Juriga encourages a child to take a photo with Miami Dolphin Players who made a special appearance



Crime Scene Technician, Sharon Plotkin, leads youth through a mock crime scene to gather clues.



The North Miami Community Policing Coalition hosts first annual F.A.C.T. Festival, *Families Against Crime Together* on May 31, 2003. Sponsored by 50 State Security and held at the North Miami Middle School.



The lucky winner of the bike raffle is Shown with Councilman Blynn, NM Middle School Principal Howard Weiner and Major Steven Johnson.

**Report of Independent Certified Public Accountants on Compliance and on
Internal Control over Financial Reporting Based on an Audit of Financial Statements**
Performed in Accordance with *Government Auditing Standards*

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North Miami, Florida (the City) as of and for the fiscal year ended September 30, 2003 which collectively comprise of the City's basic financial statements, and have issued our report thereon dated February 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of North Miami's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters that we have reported to management in the schedule of findings and questioned costs accompanying this report.

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Honorable Mayor, City Council and City Manager
City of North Miami, Florida
Page Two

This report is intended for the information and use of the Mayor, City Council, management, and regulatory agencies and is not intended to be and should be used by anyone other than these specific parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 11, 2004

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of the City of North Miami, Florida (the City) as of and for the fiscal year ended September 30, 2003 which collectively comprise of the City's basic financial statements, and have issued our report thereon dated February 11, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting, Report of Independent Certified Public Accountants on Compliance and on Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance Project and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 11, 2004, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the City of North Miami for the fiscal year ended September 30, 2003, we report the following in accordance with Chapter 10.550, Rules of the Auditor General, *Local Government Entity Audits* which requires that this report specifically address, but not be limited to, the matters outlined in Rule 10.554(1)(g):

1. No inaccuracies, shortages, defalcations, fraud and violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit, except as reported in the accompanying summary schedule of prior audit findings.
2. The City, during fiscal year 2003, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1). The Solid Waste fund has had a deficit retained earnings/net assets balance for seven consecutive years. The deficit in the solid waste fund is expected to be funded through an increase in recycling and sanitation fees and a reduction in certain operating costs over the next several fiscal years.
3. Recommendations to improve the City's present financial management, accounting procedures and internal accounting controls have been addressed in the schedule of findings and questioned costs accompanying this report.
4. Recommendations made in the preceding annual financial audit have been implemented except as reported in the accompanying summary schedule of prior audit findings.

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Honorable Mayor, City Council and City Manager
City of North Miami, Florida
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5. During the course of our audit, nothing came to our attention that caused us to believe that the City:
 - a. Was in violation of any laws, rules, regulations and contractual provisions, except as reported in the accompanying schedule of findings and questioned costs.
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to record financial transactions, which could have a material effect on the City's basic financial statements.
 - e. Had other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to the attention of the auditor.
6. The City is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
7. The annual financial report for the year ended September 30, 2003 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the audited financial statements of the same period.
8. The City was created by Chapter 29318, Laws of Florida, 1953. The Museum of Contemporary Art, Inc., the City's component unit, was created by the City of North Miami, Ordinance 768, adopted October 14, 1980 and was incorporated in the State of Florida on August 18, 1981.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. Discussion regarding deteriorating financial condition is addressed in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information and use of the Mayor, City Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 11, 2004

**Report of Independent Certified Public Accountants on
Compliance and Internal Control over Compliance Applicable to Each
Major Federal Awards Program and State Financial Assistance Project**

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

Compliance

We have audited the compliance of the City of North Miami, Florida (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Project Compliance Supplement*, that are applicable to its major federal awards program and its state financial assistance project for the fiscal year ended September 30, 2003. The City's major federal awards program and state financial assistance project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal awards program and its state financial assistance project is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal awards program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in items 03-3 and 03-4 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding activities allowed or unallowed and eligibility that are applicable to its Community Development Block Grant Program. As described in items 03-6, 03-7, 03-8, 03-9 and 03-10 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding activities allowed or unallowed and eligibility that are applicable to its State Housing Initiatives Partnership Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program and state financial assistance project for the year ended September 30, 2003.

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Honorable Mayor, City Council and City Manager
City of North Miami, Florida
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Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on its major federal awards program and its state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

We noted one matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program and state financial assistance project in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program or state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Mayor, City Council, management, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 11, 2004

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development</i>			
Community Development Block Grant	14.218	B-00-MC-12-0039	\$ 23,473
Community Development Block Grant	14.218	B-01-MC-12-0039	1,105,000
Community Development Block Grant	14.218	B-02-MC-12-0039	<u>572,353</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>1,700,826</u>
<i>U.S. Department of Justice</i>			
Community Oriented Policing Services	16.710	2002UMWX0339	4,916
Local Law Enforcement Block Grant	16.592	02LBBX1921	49,971
Local Law Enforcement Block Grant	16.592	01LBBX2493	165,551
Bulletproof Vest Partnership Grant-02	16.607	02009624	6,348
Federal Equitable Sharing Program	N/A	N/A	<u>144,146</u>
Subtotal Direct Programs			<u>370,932</u>
Pass-Through Program from:			
State of Florida Department of Juvenile Justice - Juvenile Justice Grant - Project/Focus - 3rd Year	16.549	Q2042	21,557
State of Florida Department of Juvenile Justice - Juvenile Justice Grant - Project/Focus - 2nd Year	16.549	Q2042	91,957
State of Florida Office of the Attorney General - Victim's Intervention Program Grant	16.575	V2184	39,530
State of Florida Department of Community Affairs - Miami-Dade County Byrne Program Grant	16.579	CJ-5A-11-23-01-079	<u>17,028</u>
<i>Total U.S. Department of Justice</i>			<u>541,004</u>
<i>Federal Highway Administration</i>			
Pass-Through Program from:			
State of Florida Department of Transportation Transportation Enhancement Activities	20.505	2512831	<u>123,378</u>
<i>Federal Emergency Management Agency</i>			
Pass-Through Program from:			
State of Florida Department of Community Affairs - FEMA 1345 Stormwater Drainage Project	83.544	01-RM-L5-11-23-02-032	<u>256,407</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 2,621,615</u>

(Continued)

See notes to the schedule of expenditures of federal awards and state financial assistance projects.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State CSFA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>
<i>Florida Department of Environmental Regulation</i>			
Pass-Through Program from Keep Florida Beautiful:			
Keep Florida Beautiful	N/A	KFB03	<u>20,889</u>
<i>State of Florida Department of Environmental Protection</i>			
Gravity Sewer System Improvement Grant	37.039	LP0213	<u>60,485</u>
<i>State of Florida Department of Community Affairs</i>			
FEMA 1345 Stormwater Drainage Project	N/A	01-RM-L5-11-23-02-032	<u>41,625</u>
<i>State of Florida Housing Finance Agency</i>			
State Housing Initiatives Partnership	52.901	03-04	256,854
State Housing Initiatives Partnership	52.901	02-03	402,769
State Housing Initiatives Partnership	52.901	01-02	293,296
State Housing Initiatives Partnership	52.901	00-01	<u>319,156</u>
<i>Total State of Florida Housing Finance Agency</i>			<u>1,272,075</u>
<i>Total Expenditures of State Financial Assistance</i>			<u><u>\$ 1,395,074</u></u>

N/A - Not available.

See notes to the schedule of expenditures of federal awards and state financial assistance projects.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance projects includes the federal and state grant activity of the City of North Miami and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of North Miami provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant - Entitlement Grants	14.218	\$ <u>114,668</u>

CITY OF NORTH MIAMI, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

PRIOR YEAR COMMENTS AND STATUS

Financial Statement Findings

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2002 schedule of findings and questioned costs:

Matters that are repeated in the accompanying schedule of findings and questioned costs.

- Financial condition (see Item 03-1)
- Physical inventory of fixed assets (see Item 03-2)

Matters that are not repeated in the accompanying schedule of findings and questioned costs.

- Compensated absences (Item 02-2)

Federal Awards and State Financial Assistance Findings and Questioned Costs

There were no federal award or state financial assistance projects findings and questioned costs reported in the fiscal year ended September 30, 2002 schedule of findings and questioned costs.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified Opinion*
Internal control over financial reporting:
Material weakness(es) identified? ☐ yes ☒ no
Reportable condition(s) identified not considered to be
material weakness? ☐ yes ☒ none reported
Non-compliance material to financial statements noted? ☐ yes ☒ no

Federal Awards Program and State Financial Assistance Projects

Internal control over major programs:
Material weakness(es) identified? ☒ yes ☐ no
Reportable condition(s) identified not considered to be
material weakness? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for its major federal awards program and state financial assistance projects: *Qualified Opinion*

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133, Section .510(a) or Chapter
10.550, Rules of the Auditor General? ☒ yes ☐ no

Identification of federal major awards program and state financial assistance projects:

<u>Federal Program</u>	<u>Federal CFDA No.</u>
------------------------	-------------------------

Community Development Block Grant	14.218
-----------------------------------	--------

<u>State Projects</u>	<u>State CFSA No.</u>
-----------------------	-----------------------

State Housing Initiative Program	52.901
----------------------------------	--------

Dollar threshold used to distinguish between Type A and Type B programs:	Federal	\$300,000
	State	\$300,000

Auditee qualified as low risk auditee for audit of its federal awards program? ☐ yes ☒ no

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Other Matters

03-1 Financial Condition

The City's unreserved fund balance in the general fund decreased from approximately \$3,900,000 in fiscal year 2000 to approximately \$1,000,000 at September 30, 2002, a decrease of approximately \$2,900,000 or 75%. In fiscal year 2003, the unreserved general fund balance increased approximately \$2,200,000 from 2002. This was primarily due to the receipt of \$1,400,000 of unanticipated revenues and expending less than what was budgeted for certain expenditures. The unreserved fund balance represents expendable available resources for the City's general operations, including public safety, public works and culture/recreation. We also noted that the City utilized a portion of the prior year fund balance to balance the subsequent year budget.

In addition, the water and sewer utility system continues to incur operating losses, including depreciation, of approximately \$1,500,000 and \$1,100,000 in 2003 and 2002, respectively. Solid waste services continues to incur operating losses, including depreciation, of approximately \$490,000 and \$640,000 in 2003 and 2002, respectively. The stormwater utility continues to incur operating losses, including depreciation, of approximately \$320,000 and \$340,000 in 2003 and 2002, respectively. These utility systems and solid waste services should be recovering the costs of operations through user charges. This comment was also reported in the prior year.

Recommendation

Although the financial condition in the general fund has slightly improved over prior years, the City still should be guarded with respect to its actions. The City should implement a policy to not utilize prior year fund balance to balance the subsequent year budget. The City should also establish a policy where, on an annual basis, an amount is reserved to "build up" the fund balance in the general fund which would create a "cushion" for future years and to cover unforeseen circumstances. The City needs to continue to take positive action to address and monitor the conditions described above with a combination of initiatives intended to ensure the financial stability of the City. The initiatives should include seeking new or additional revenue sources and/or cost cutting measures and the City must closely monitor expenditures.

Since the intent of these utility systems and solid waste services is to recover the costs of operations, including depreciation through user charges, the City needs to consider ways to increase revenues to sufficient levels or to decrease expenses so that the utility operation can be self-supporting.

Management Response

The City recognizes the importance of maintaining adequate levels of fund balance in order to mitigate current and future risks, ensure stable tax rates, maintain creditworthiness, and facilitate long-term financial planning. As part of the fiscal year 2005 budget process, the City will address the adequacy of unreserved fund balance in the General Fund and consider adopting a formal policy on the level of unreserved fund balance that should be maintained.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

In December 2003, the City approved rate increases for solid waste services and the stormwater utility fund. The new rates are expected to cover not only the cost of the fiscal year 2004 expenditures, but also to fund the deficit balances from prior years. In preparing for the 2005 budget, the City will analyze the adequacy of the water and sewer rates, to determine if rate increases will be needed to cover 100% of the expenses, and to establish adequate reserves.

The City will also consider the impact of inflation on operations, and the need for rate adjustments to cover this increased cost in providing the existing level of services.

03-2. Physical Inventory of Capital Assets

We noted that the City has not taken a physical inventory of its capital assets in several years. The purpose of a capital asset inventory would ensure that only active, in-service machinery and equipment is included in the City's financial statements and would also assist the City in providing safeguards from loss or misuse of assets. This comment was also reported in the prior year.

In addition, as required by Governmental Accounting Standards Board Statement No. 34, the City must retroactively report, back to October 1, 1980, its general government infrastructure assets. The City must present this in their financial statements during or prior to the fiscal year ending September 30, 2007.

Recommendation

We recommend that the City perform a physical inventory of all capital assets and maintain detailed records of these assets to ensure that the assets are properly reported and properly safeguarded from loss or misuse. To be cost effective, we recommend that the City simultaneously engage the services of appraisers to work with City personnel and engineers to perform both the physical inventory of the City's capital assets and its infrastructure assets.

Management Response

The City will hire outside consultants to perform the physical inventory of its fixed assets as well as the valuation of the infrastructures. The performance of the physical inventory will be given top priority, and it is expected to be completed prior to September 30, 2004. In the meantime, staff continues to perform physical inventories on a department-by-department basis. For the valuation services, the City also expects to have the consultant on board prior to year end. Although the City has until 2007 to comply with this, it anticipates completing this no later than fiscal year ending September 30, 2005.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Compliance Matters

CFDA: 14.218 Community Development Block Grant (CDBG) U.S. Department of Housing and Urban Development

03-3 Compliance – Questioned Costs

We tested fifty (50) invoices that are included in voucher packages which the City utilizes to authorize payments to vendors/contractors. We noted one (1) payment appeared to be in excess of what a prudent business person would expect to pay for the work provided (air conditioning). Our questioning of the costs stems from the fact that the descriptions on the invoices in question are not sufficiently descriptive to support the charges by the vendor/contractor. This resulted in questioned costs of approximately \$7,000.

Recommendation

We recommend that the City implement procedures to have someone independent of the work being performed (i.e., an inspector) to assess the work and review the estimate as a guide for the City to use when selecting a vendor/contractor to conduct the work. The City should also require that the invoices provided by the vendor/contractor should be descriptive to support the costs associated with the work performed.

Management Response

A sample review of rehabilitation project files indicates that contractor bids for A/C system replacement/installation ranged from \$4,800 to \$7,400. The existing deteriorated conditions of the various properties affected the degree of rehabilitation required. Clearly the A/C system replacement in this particular home was priced at the higher end of the range, but was not outside the range.

The department is instituting new project bid processes and procedures. The process will include (but not be limited to) an initial cost estimate by a City housing inspector. Once that is in place, requests for bids will go out. When bids are received, they will be reviewed and compared with the inspector estimate to determine reasonableness and fairness.

A new invoicing procedure will also be established. This procedure will require that invoices be submitted with charges detailed on a “line item” basis and in a standardized format.

These changes will be implemented before additional funds are committed under the housing rehabilitation program.

03-4 Compliance - Documentation

During our testing of the fifty (50) voucher packages referred to above, we noted that three (3) of the voucher packages did not include all of the proper supporting documentation or approvals for payments to vendors/contractors. The policy of the City states that the voucher package should include, as applicable, the following:

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

1. City of North Miami Direct Voucher
2. Contractor's Invoice (Original)
3. Homeowner Payment Authorization
4. Contractor's Release of Lien (Final or Partial)
5. Contractor's Payment Request
6. Subcontractor's List (if applicable)
7. Certificate of completion (required with final payment)

Recommendation

We recommend that the City follow its policy to ensure that proper documentation is maintained in the voucher package prior to payment to vendors.

Management Response

In March 2003, City staff formalized a checklist identifying the proper supporting documentation (as listed above) that should accompany every payment request. This resulted from inconsistencies identified in earlier payment requests. One of the three exceptions noted above, was a payment made in December 2002, which preceded the formalized checklist. That exception included a discrepancy between the vendor's release of liens form, and the requested payment. The other two items, were payments requests made through the manager's office as settlements to the contractors, after being fired from the job. Because these were special items, the supporting documentation did not agree with the formal checklist, however requests for payments were substantiated by other supporting documents. Staff in both the Housing Division, and the Finance Department, scrutinize each payment to insure the proper supporting documents support each payment request.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Material Weakness

03-5 Internal Control over Compliance

Based on the findings and questioned costs presented herein for both the major Federal program and State financial assistance project, the City's internal controls over compliance are not functioning as intended. An adequate system of internal control would ensure that individuals with grant compliance responsibilities monitor the activities and requirements of the grant. Without these safeguards, the City increases its risk of noncompliance which in turn increases the risk of forfeiting certain grant entitlements.

Recommendation

The City needs to modify its existing controls to have in place an adequate system of internal control over compliance that monitors and ensures compliance.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS (Continued)

Management Response

The most important element of any system of internal control is the staff. Over the past year there has been significant staff turnover including a new Director of Community Planning & Development and a new Housing Administrator. Unfortunately, past staff did not follow internal procedures and created compliance and programmatic challenges for the incoming staff.

The majority of the findings and questioned costs resulted from the operations of the Housing Division, in their implementation of the Housing Rehabilitation Program. That being said, there have been staffing changes in the department, and new operating policies and procedures are being established. Included in the changes are a new Housing Administrator, new Housing Compliance Officer, a full-time inspector, increased training and restructure of responsibilities for staff. Additionally, there is a new Department Head, whose goal is to insure the proper operation of this program before any new funds are committed.

As such, Local Housing Assistance Plan policies will be followed. A review of each file will be made to determine policy compliance before a homeowner is approved for participation. Also included in the new operating policies will be new procedures over contract commitments.

Compliance Matters

CSFA: 52.901 State Housing Initiatives Partnership Program (SHIP) Florida Housing Finance Corporation

03-6 Compliance - Eligibility

Section IV, Proposed Activities and Strategies – Application Process, of Local Housing Assistance Program (LHAP Plan) states that neither the assessed value of the housing unit plus improvements for rehabilitation projects nor the appraised value for down payment/closing cost projects shall exceed \$100,000. The twenty (20) participant files selected for testing did not contain any documentation regarding the assessed value or the appraised value for the homes approved for rehabilitation or down payment assistance.

Recommendation

We recommend that prior to approval of a applicant for rehabilitation or down payment assistance the assessed/appraised value of the housing unit be obtained and maintained in the participant's file for proper documentation to further assist in the assessment of whether the applicant is eligible to receive assistance under the SHIP program.

Management Response

Utilizing County property assessment data and property listing data in the area, staff will ensure that the proposed rehabilitation improvement costs are in line with the current assessed value of the property.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS (Continued)

03-7 Compliance - Eligibility

During our testing of the twenty (20) participant files referred to above, we noted that the files did not contain all of the City's required supporting documentation to determine if the participants were eligible to participate in the program. We noted varying exceptions in all twenty (20) files. The City's required documentation which should be included in the file is as follows:

1. Completed application form
2. Proof of property ownership
3. Proof that property taxes are current to the City
4. Statement from mortgage company that payments are current
5. Homeowners insurance or fire insurance policy
6. Federal Income Tax Returns for the previous 3 years
7. Driver's License, Social Security Card and most current pay stub
8. Identification documents for dependents claimed
9. Income verification
10. Required bids (at least 3)
11. Signed promissory note

Recommendation

We recommend that the City implement policies to ensure that proper procedures are being performed prior to the approval of participants for program assistance. Without the necessary documentation, the City cannot determine if the potential participants are actually eligible participate in the SHIP program.

Management Response

Due to the poor administration of the program in the past, newly hired staff is in the process of assembling a system to ensure that all required documentation is collected, analyzed, and recorded.

03-8 Compliance – Eligibility

Section IV, Proposed Activities and Strategies – Application Process, of Local Housing Assistance Program (LHAP Plan) states that prior SHIP recipients shall not be eligible to receive additional SHIP funding for a 7-year period, starting with the year after assistance was first received. Two (2) participant files of the twenty (20) selected for testing indicated that participants received SHIP program assistance for two consecutive years. This resulted in a questioned cost of approximately \$40,000.

Recommendation

We recommend that the City implement procedures to ensure that applicants who receive assistance are not allowed to apply for assistance again prior to the end of the 7-year period. This will enable assistance to be provided to other eligible participants.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS (Continued)

Management Response

The City's Local Housing Assistance Plan, as originally approved by the City Council, set limits on the amounts to be awarded to homeowners under the housing rehabilitation program. However, past staff lacked sufficient oversight and allowed some homeowners to receive funding in excess of amounts allowed by program guidelines, without first getting council approval. While the explanation for the additional funding was for the benefit of the homeowners for cases of unforeseen code issues that impacted safety and quality of life concerns, the process was not in accordance with the existing policy. In order to correct this action, in December 2003, the council retro-actively allowed for the additional funding in excess of the established limits. However, this applied only retro-actively to those exceptions. All future housing rehabilitation awards will adhere to the existing limitations originally set by council. Staffing changes at several levels, in addition to improved communications and controls will prevent this from occurring again.

03-9 Compliance – Questioned Costs

We tested forty-five (45) invoices included in the voucher packages that are utilized to authorize payments to vendors/contractors. We noted four (4) payments appeared to be in excess of what a prudent business person would expect to pay for the work provided (pressure cleaning and painting services). Our questioning of the costs stems from the fact that the descriptions on the invoices in question are not sufficiently descriptive to support the charges by the vendor/contractor. This resulted in questioned costs of approximately \$30,000.

Recommendation

We recommend that the City implement procedures to have someone independent of the work being performed (i.e., an inspector) to assess the work to be performed and review the estimate to ensure that costs are reasonable. The City should also require that the invoices provided by the vendor/contractor should be descriptive to support the costs associated with the work performed.

Management Response

Staff recognizes that while some of these items may be not be excessive in costs when compared to other jobs, there are others that may appear unreasonable. Changes in staffing and in procedures will insure that better controls are implemented before any additional funds are committed under the housing rehabilitation program. Among these changes is the requirement for all the invoices being processed for payment to be much more descriptive of the work being performed, and that an inspector will take a more active part in the review of bids submitted for rehabilitation projects.

03-10 Compliance - Documentation

During our testing of the forty-five (45) voucher packages referred to above, we noted that five (5) of the voucher packages did not include all of the proper supporting documentation or approvals for payments to vendors/contractors. The policy of the City states that the voucher package should include, as applicable, the following:

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS (Continued)

1. City of North Miami Direct Voucher
2. Contractor's Invoice (Original)
3. Homeowner Payment Authorization
4. Contractor's Release of Lien (Final or Partial)
5. Contractor's Payment Request
6. Subcontractor's List (if applicable)
7. Certificate of completion (required with final payment)

Recommendation

We recommend that the City follow its policy to ensure that proper documentation is maintained in the voucher package prior to payment to vendors.

Management Response

In March 2003, City staff formalized a checklist identifying the proper supporting documentation (as listed above) that should accompany every payment request. This resulted from inconsistencies identified in earlier payment requests. The exceptions noted above were either payments, which preceded the formalized checklist, or they were payment requests made through the manager's office as settlements to contractors, which were fired from the job. Because the latter were special items, the supporting documentation did not agree with the formal checklist, however requests for payments were substantiated by other supporting documents. Staff in both the Housing Division, and the Finance department, scrutinize each payment to insure the proper supporting documents support each payment request.